

INTERNATIONAL

Herald Tribune

Published with The New York Times and The Washington Post

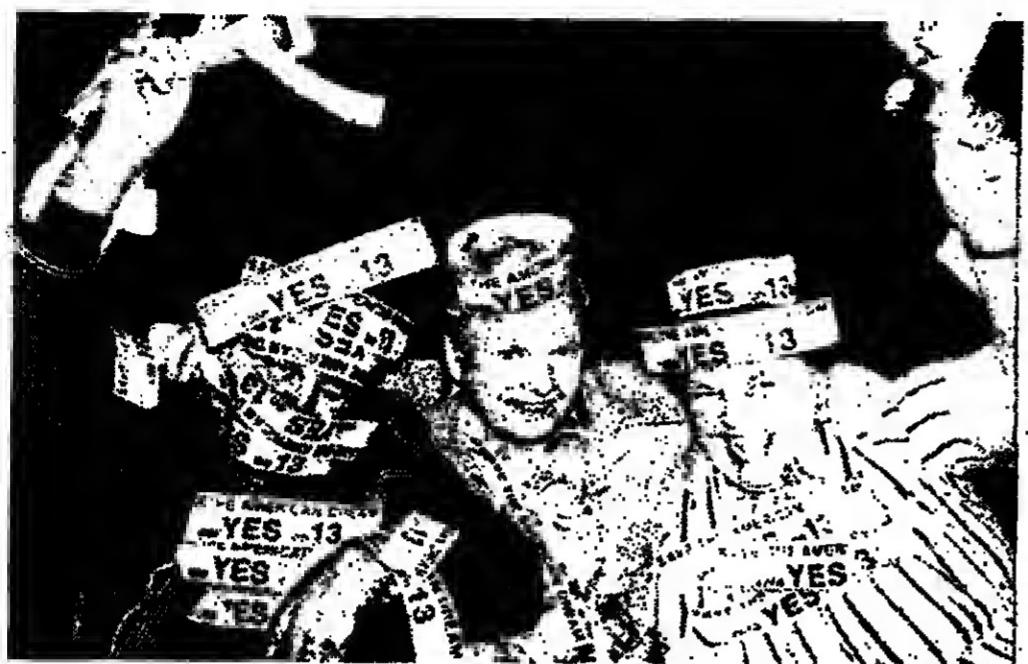
PARIS, THURSDAY, JUNE 8, 1978

Established 1887

WEATHER — PARIS: Thursday, cloudy, Temp. 22-23
100-101 F. LONDON: Thursday, cloudy with rain
Temp. 18-21 F. FRIDAY: Friday, variable. CHANNEL: 100-101 F.
ROMA: Thursday, sunny. Temp. 27-32 F. SATURDAY: 100-101 F.
SUNDAY: 100-101 F.

ADDITIONAL WEATHER — COMICS PAGE

29,649

**The U.S.
Tax
Revolt**

Peter Saul, Wendell Johansson and Irene Merrill celebrate the early lead of Proposition 13.

Californians Vote Property-Tax Cut 2 to 1

LOS ANGELES, June 7 (AP) — Californians fed up with soaring property taxes gave landslide approval yesterday to a \$7-billion property-tax cut, a victory compared by tax crusader Howard Jarvis to a second Boston Tea Party.

Mr. Jarvis, the 75-year-old prime mover behind the state's property-tax revolt, told cheering supporters that the victory of Proposition 13 would touch off a similar revolt across the nation.

Proposition 13, which will cut property taxes statewide by an average of 57 percent, won by a margin of almost 2 to 1. The measure prompted what could be a record primary election turnout — more than 70 percent in Los Angeles and other urban areas.

It limits property-tax rates, now averaging 2.5 percent of value, to 1 percent, reducing the average homeowner's tax bill from the current \$1,400 a year to \$600. It also rolls back assessments to 1975 levels and limits future increases to 2 percent, unless property is sold.

Financial Challenge

"We are facing a legal and financial challenge such as the state has never seen," said Gov. Edmund Brown Jr. "It is my job to carry it out."

"This is not a partisan issue," he said. "The vote comes from liberals, conservatives, Democrats and Republicans."

For Gov. Brown, who harbors national political ambitions, implementing Proposition 13 will be perilous. He has promised he will not increase state taxes to offset the loss of property tax revenue to schools and local governments.

Hiring Freeze

He announced today that he is freezing all state hiring and state government job replacements as part of a plan to implement the initiative with as little disruption as possible.

He said the plan also includes limits on state spending, no new taxes, and state budget cuts "in all areas I can make them in without injuring anyone."

With 91 percent of the vote counted, Proposition 13 was ahead 3,872,228 to 2,125,740.

An alternative measure, Proposition 8, which was supported by the Legislature and would have cut property taxes an average of 30 percent, was narrowly defeated. But even had it passed, it would have been superseded by approval of Proposition 13.

U.S. Airlifts 1,500 Moroccans into Lubumbashi**Belgium to Coordinate Zaire Pullout With Africans**

From Wire Dispatches KINSHASA, Zaire, June 7 — The Belgian government today announced it would withdraw its contingent of troops from Zaire as soon as possible.

Meanwhile, President Mobutu has sent up differences with his neighboring Zambia and said he will French Foreign Legion troops who restored order in embattled Shaba province two weeks ago.

Zambian President Kenneth

Kaunda paid a one-day surprise visit to Lubumbashi yesterday for what AZAP said would be "difficult" talks with Mr. Mobutu.

The two leaders earlier had bitter exchanges over the invasion of Shaba through northern Zambia last month by Angola-based rebels and their retreat over the same route in stolen vehicles piled high with loot.

Mr. Kaunda told AZAP after his talks with Mr. Mobutu that his army had stopped and disarmed

part of the rebel force on its way to sanctuary in Angola. "This proves sufficiently that Zambia will never favor any rebel attack against Zaire from its territory," he said.

Talks Called fruitful

He reiterated that the rebels had attacked via northern Zambia without his government's knowledge. Mr. Kaunda said his talks with Mr. Mobutu "have been fruitful and led to satisfactory results."

"There is nothing left that could harm the good relations between Zaire and Zambia," he said before returning to Lusaka.

Mr. Mobutu interrupted his talks with Mr. Kaunda to attend a farewell ceremony for the legionnaires, being flown back to their base in Corsica aboard the same U.S. planes that brought the Moroccans.

He awarded medals to the French paratroopers who jumped into the mining town of Kolwezi May 19 to rescue 2,500 whites from nine days of rebel terror.

The 600 Belgian paratroopers who joined the rescue operation in Kolwezi are still spread out in several towns to reassure the white population, but Premier Leo Tindemans announced in Brussels that they would begin leaving probably within the next two weeks. The Belgian force originally totaled 1,700 men. The Belgian withdrawals will be phased to allow the African force to relieve the troops.

The diplomatic activity coincided with the completion of the first lift of the all-African force that I take over the peacekeeping mission in Shaba.

More than 1,500 Moroccan ops arrived in the provincial

**Crown Opposes
Additional U.S.
Nuclear Carrier**

WASHINGTON, June 7 (AP) — Defense Secretary Harold Brown said yesterday that spending \$2.5 billion on an additional U.S. nuclear-powered aircraft carrier would reduce less military power than the money to buy larger numbers of less-glamorous warships. Building more nuclear carriers is the way to compete effectively with the Soviet Union, Mr. Brown said in a speech prepared for the Chicago Council on Foreign Relations.

The Carter administration faces congressional opposition on the carrier issue. The House has ignored administration objections and approved funds for a nuclear-powered aircraft carrier in the fiscal 1979 budget. The Senate Armed Services Committee has taken a similar course.

Mr. Brown renewed his appeal to Congress to approve a smaller oil-driven aircraft carrier, which he said would save \$1 billion and buy two additional modern frigates.

eat in India Kills 20

NEW DELHI, June 7 (UPI) — A two-week heat wave has killed 20 sons and hospitalized several hundred in India's northern and southern states today.

Additional news from India

and Pakistan

New York City's Death Rate Higher Than in Rest of U.S.

NEW YORK, June 7 (UPI) — Statistics show that the rate of death from all causes in New York City is 16 percent higher than the rate for the nation.

The National Health Education Committee has compiled statistics that show the death rate from all causes in New York City is 17 percent higher than that for the rest of New York State and New Jersey, and 24 percent higher than that of Connecticut.

The committee said Sunday that according to 1976 figures, the New York City "crude" death rate of 10.3 per thousand is 16 percent higher than the overall death rate of 8.9 for the country.

The average age of death from all causes in New York City in 1976 was 66.5 years compared to 67.3 throughout the nation.

Heart disease was the leading cause and was 30.3 percent higher than the nation's 1977 rate. The committee blamed lack of screening and treatment centers for high-blood pressure in the city's poor neighborhoods.

Somali Troops Reported Back in Ogaden

By Michael T. Kaufman

NAIROBI, June 7 (NYT) —

Three months after regular Somali units were chased from the Ogaden region of Ethiopia by a Cuban and Soviet-backed offensive,

they are back in the area fighting as guerrilla bands, Western diplomats say.

After the withdrawal, some of the soldiers shed their uniforms, put on desert robes and adopted tactics, a diplomat said. Although the operation is once again being depicted as a local insurgency of indigenous Ogaden Somalis, he added, "we believe they are getting the full support of the Mogadishu regime while purporting to be the Western Socialist Liberation Front."

The current fighting reportedly involves no attempt on the part of the Somalis to seize or control any of the vast Ogaden region which the government of President Mohamed Siad Barre has long claimed as an integral part of the nation.

The Somalis are reportedly using hit-and-run tactics. In contrast with the conflict earlier this year, they now have no highly mechanized units fighting conventional battles against Ethiopian units. They are

laying land mines and making harassment strikes at scattered outposts of Ethiopian authority.

Ethiopian Silence

"Still," a European diplomat said, "there are Ethiopian soldiers being killed, in small numbers but regularly."

Some diplomats find it notable that the government in Addis Ababa has not raised the issue in any public forum. Through statements released by ambassadors here and

in Europe in the last week, the Ethiopians have attacked Arab states for their support of Eritrean secessionists. They have also lashed out at what are termed imperialist powers for allegedly seeking to internationalize the Eritrean issue, which the Ethiopians contend is purely an internal matter.

And Ethiopian ambassadors have responded angrily to Egyptian warnings that tampering with the flow of the Nile would be regarded as provocation for war. The Ethiopians retort that the Nile water is a natural resource just like Saudi Arabia's oil.

"Ethiopia has said nothing about the Somali guerrilla raids."

"As far as we are concerned," he said, "our strategic alliance with

Arab press reports of a crackdown on the Iraqi Communist Party gave rise to intense speculation that Iraq — the only Arab country linked to the Soviet Union by a formal treaty — was considering changing its relations with the Kremlin. But Mr. Haddad emphasized that the Iraqi leadership had no such plans.

"As far as we are concerned," he said, "our strategic alliance with

Diplomats Claim Defeated Units Regroup, Fight a Guerrilla War

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Deterrent Cited

Mr. Haddad said that the execu-

tives were carried out "to deter

others from trying to organize pol-

itical activity in the armed forces,"

adding that the 1973 agreement on

the establishment of the National

Progressive Front had clearly stipu-

lated that only the Ba'th Party

could be active inside the armed

forces.

He said that the Communist Par-

ty had violated the agreement and

that the formation of cells had been

the beginning of an attempt to

overthrow the existing order. What

else can the formation of an organi-

zation in the armed forces mean?"

He railed.

The agency said that those ar-

rested "admitted their involve-

ment in committing these and other

crimes." It did not identify the per-

India's Surplus an Example**Revised World Food Forecast: Upbeat**

By Dan Morgan

WASHINGTON. June 7 (WP) — A series of bumper harvests has given India, which often turned to the United States for emergency grain shipments to avert famines in the 1960s, a 20-million-ton stockpile of food, the agricultural direc-

tor of the World Bank reported yesterday.

The stockpile was cited by Montague Yudelman, as part of a moderately optimistic report on the global food situation. Mr. Yudelman also concluded that there is enough "underutilized capacity" in agriculture to feed six billion per-

"Certainly, if we bend our minds to this [food production task], it can be done," he said.

But Mr. Yudelman warned that "it would be wrong to say there's no problem." He said in a report that "the core of the world food problem" involves countries with food deficits, large numbers of undernourished persons and inadequate foreign exchange reserves to pay for imports on commercial terms.

Larger Deficits Expected

In 1975, these countries needed to purchase only about 12 million tons of grain in commercial world markets. Much of the remaining food deficit was covered by foreign loans and food aid. But, by 1980, as the food deficits of these countries increase, they will need to buy 70 million to 80 million tons, a volume beyond their ability to pay, Mr. Yudelman said.

He said that the World Bank's strategy has changed dramatically in response to this situation. Since 1974, he said, the institution has increased credits to small farmers. Agricultural and rural development loans for the fiscal year ending June 30 will exceed \$3.3 billion, almost four times the amount of 1974.

Mr. Yudelman said that the World Bank had rejected assumptions carried over from "colonial thinking." He said: "We are finding out in reality that food production requires more and more capital and that low-cost means of agricultural production are very difficult to find." Long-range irrigation requirements alone exceed \$100 billion, he said.

Although grain prices have declined substantially from their peak in 1974, they are still double those of the late 1960s, and there are wide regional variations in food production.

For their part, Congolese officials appear to have driven the State Department to exasperation with their reluctance to seek the help of other Africans, despite repeated U.S. exhortations and backstage solicitations.

"Believe possibility 'Americanizing' Africanization,' quite likely," the assistant secretary of state for African affairs, Menken Williams, cabled Washington during an Aug. 19, 1964, visit prompted by the fall of Stanleyville (now Kisangani).

Mobutu in Command

The Congolese commander, Gen. Joseph Mobutu, as he was known then, backed up by Mr. Tshombe and others, had just asked Mr. Williams at a lengthy meeting for three U.S. parachute battalions as soon as possible. Mr. Tshombe did most of the talking.

"I tried to talk Tshombe out of even making request by pointing out broad implications for U.S. already deeply committed in Far East," Mr. Williams cabled Aug. 15. "However, he insisted that I transmit his request for U.S. paratroops sooner and insisted this only move which could be realistically expected to save Congo from Communist rebels."

The dithering apparently lasted several days, at one point prompting an indignant cable from Mr. Rusch who told his diplomats that he was "shocked at naivete of Tshombe" and demanding to know, among other things, why Mr. Tshombe's once-secessionist-minded Katanga gendarmes many of them then in Angola, could not be brought into the fighting.

"What has happened to consideration movement Katanga gendarmes perhaps from Angola to stiffen Leopoldville and threatened areas?" the secretary of state asked Mr. Williams.

The palavering seems to have ended only when Mr. Williams, confronted with a new demand for more U.S. fighter planes and helicopters, told Mr. Tshombe and the others on Aug. 16 that about seven B-26s would be provided "as quickly as possible for reconnaissance and strafing." At that, he said, "Congolese clapped hands in applause."

Back in Washington the next day, according to other LBJ library papers, the White House was assured that things were looking up in the Congo.

"The press is pretty quiet, and [for] once we have little to gain from publicity," a National Security Council staffer advised the president in an Aug. 17, 1964, memo relaying the latest news from the State Department. "We are knocking down any 'Vietnam' talk of U.S. combat involvement in the Congo."

We must avoid excessive swings in our public mood — from euphoria when things are going well, to despair when they are not; from an exaggerated sense of comparability to open expressions of hostility.

Détente between our two countries is central to world peace. It is important for the American public, and for you as future leaders of the navy to understand its complex and sensitive nature.

Stability

To be stable, to be supported by the American people, and to be a basis for widening the scope of cooperation, détente must be broadly defined and truly reciprocal. Both nations must exercise restraint in troubled areas and in turbulent times. Both must honor meticulously those agreements which have already been reached to widen cooperation, mutually limit nuclear arms production, permit the free movement of people and expression of ideas, and to protect human rights.

Ceilings

However, these efforts to cooperate do not erase the significant differences between us.

What are these differences? To the Soviet Union, détente seems to mean a continuing aggressive struggle for political advantage and increased influence in a variety of ways.



Sami Esmail (right) talks with Israeli policeman before being convicted of terrorist affiliation.

A U.S. Student Is Convicted by Court in Israel

TEL AVIV, June 7 (AP) — A district court here today convicted Sami Esmail, a 23-year-old American of Palestinian descent, of membership in a Palestinian guerrilla group, but acquitted him of the more serious charge of contact with a foreign agent.

Esmail could be sentenced to a maximum of 10 years for belonging to an organization hostile to Israel. Prosecutor Sara Sirota did not ask for the maximum sentence but rather for a term that would discourage persons from joining Palestinian guerrilla groups even if outside Israel. Sentencing was set for Monday.

Esmail, a graduate student in engineering at Michigan State University who was born in New York, was arrested at Ben-Gurion Airport Dec. 21, when he arrived in Israel to visit his dying father, a naturalized American who lived in the occupied West Bank. He was charged with membership in the Popular Front for the Liberation of Palestine and with having contact with foreign agents.

The case caused protests in the United States. There were allegations that the FBI provided the Israeli government with information on Esmail and that he was tortured into signing a confession. But his Israeli lawyer, Felicia Langer,

failed in an attempt to get the confession thrown out.

The prosecution charged that Esmail took guerrilla training during a trip to Libya in 1976. But Esmail maintained that it was a student trip and that no training was involved.

In a brief interview with reporters before the session, Esmail was very critical of prison conditions, saying that he spent 14 days in solitary confinement after being falsely accused of arguing with a prison guard. In solitary, he said, he was denied such simple rights as going to the bathroom for two days, and was not allowed to bathe or brush his teeth.

Thais Charge River Rescuer

NONG KHAI, Thailand, June 7 (AP) — John Everingham, the Australian journalist who swam the Mekong River to rescue his Laotian girlfriend, has been charged with bringing an illegal alien into Thailand, officials said yesterday.

He also was charged with leaving Thailand without a visa by crossing the river frontier into Laos, but he said that he did not think the charges are serious. Mr. Everingham, who lives in Bangkok, said that Nong Khai provincial authorities told him that he could turn himself in and then would be released if he posted a \$5 bond.

Millions of U.S. citizens have seen it in their quest to become civil servants and many undoubtedly have committed petty piracy by subtracting pounds or adding to their height.

The government now believes that such information is irrelevant to the application.

U.S. Getting Less Nasty When Hiring

WASHINGTON, June 7 (WP) — U.S. government job-seekers who are shy about disclosing their weight, height, marital status, Communist Party affiliation or old brushes with the law will have an easier time after Aug. 1.

After nearly four years of work, the government is revising its standard job-application form, known as SF 171.

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Arafat Meets Honecker

BERLIN, June 7 (UPI) — Yasser Arafat, the Palestine Liberation Organization leader, discussed the Middle East situation today in East Berlin with Erich Honecker, the East German chief of state and party leader.

Italy Landslide Kills 4

ISCHIA, Italy, June 7 (AP) — A landslide tumbled onto a beach on this Mediterranean resort island today, killing four persons.

Howard Chao, 57, a member of Yale University's East Asia Language and Literature Research Center, said that his information came from Chinese refugees from Vietnam whom he interviewed recently in southern China.

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Reportedly \$10 Billion**House Votes Spy Funds, Sum a Secret**

By George Lardner Jr.

WASHINGTON, June 7 (WP) — Rejection protests that most members had no idea about what they were doing, the House overwhelmingly approved an authorization yesterday for the nation's intelligence community. The amount of the authorization was kept secret. The vote was 323 to 43. Five members voted "present," apparently

only following the example of John Seiberling, D-Ohio, who complained that the bill authorized a "blank" amount so I intend to vote blank."

The House Intelligence Committee insisted on secrecy for the multi-billion-dollar measure on grounds that disclosure of even the total would generate pressure for more details.

Supreme Court Sanctions Municipal Damage Suits

By Morton Mintz

WASHINGTON, June 7 (WP) — The Supreme Court handed a surprise victory to civil liberties groups yesterday by abolishing absolute immunity from damage suits for municipalities whose official policies or customs may deprive citizens of constitutional rights.

The 7-2 decision extends a 1961 ruling in which the court, for the first time, permitted citizens to seek personal damages from police officers and other city and county employees who were authorized to do so, abuse basic rights.

The earlier ruling — the source of a flood of civil rights litigation for 17 years — completely insulated the municipal corporations from which such employees worked. That insulation was stripped away yesterday.

Another factor was an inconsistency, in a score of cases, the court has held school boards liable in rights cases brought under the Reconstruction-era law, even though Justice Brennan said, the reasoning in the 1961 decision does not allow a distinction to be drawn between school boards and municipalities.

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

Page 4 Thursday, June 8, 1978

China and Indochina

That the withdrawal of the United States from military involvement in Indochina would not end the troubles of that region was patent enough from the beginning. But the extent of those troubles, and their nature, were not so obvious. It was not altogether possible to predict the kind of mania-Macism that has afflicted Cambodia, nor how this would affect Vietnam—and China.

* * *

China was a strong support for North Vietnam during its struggle with the South, both in actual supplies and in its mere presence. The latter was a prime factor in limiting U.S. action against Hanoi for so much of the war, because of haunting memories of the Chinese move across the Yalu in the Korean war.

Yet China and Vietnam have a long history of conflict, as well as a common border than can cause friction. So it was not surprising that Hanoi drew closer to Moscow than to Peking after the major fighting ended, or that Peking seemed to prefer the wild radicals at Phnom Penh over the more orthodox revolutionaries of Hanoi. The former did draw more on Mao than on Lenin, for one thing, and they might prove a balance in Indochina against the suddenly increased size and prestige of Vietnam.

This has now resulted in what the Chinese claim is the explosion of people of their blood from Vietnam, by the thousands.

Doubtless the current frictions have touched off this exodus, but there is another element in the anti-Chinese mood in Vietnam. Throughout all of Southeast Asia, Indonesia and far into the Pacific Islands, the Chinese represent not only an alien stock, but an economic class. Whether or not they arrived—and some remain—as coolies, laborers, they have usually risen to moneylenders, shopkeepers, white collar workers generally.

It was this rather than the Communism of mainland China that inspired the killings and deportations of Chinese in Indonesia. It is a major part of its rivalry between Chinese and Malays in Malaysia. It resembles, too, the actions taken against Bengalis and Sikhs in Burma and in Uganda, since those Indians performed much the same functions as the Chinese, and were equally resented.

* * *

In the relationship between China and Indochina there is the kind of complex mixture of racism, economic rivalry, religious enmity and ideological competition that is so common in the developing world—and can be found in the ghettos of the United States and among the foreign workers in Europe. For the Chinese government, or those of Indochina, to play upon these differences, to exploit them for some short-term advantage, is to encourage fragmentation at a time when both China and Vietnam desperately need cooperation both within and without their borders.

A Double Blow by the Court

The privacy rights of the law-abiding were shabbily treated by the Supreme Court the other day when it held that police may search for evidence of crime on the premises of persons who are not themselves suspected of any crime.

The Fourth Amendment protects "the right of the people to be secure in their persons, houses, papers and effects against unreasonable searches," but the court said this sort of search was reasonable. Judicial warrants may now be obtained for unannounced, wide-ranging searches through files, drawers—even wastebaskets—without proof that such methods are needed to guard against destruction of the evidence. This decision strikes a double blow, at individual privacy and press freedom.

* * *

The premises in the case before the court were those of the Stanford University student newspaper, which claimed that its rights had been violated by a police search of its offices after a 1971 campus riot. Police wanted to search the newspaper's offices because a published photograph of the riot led them to believe there might be more photographic evidence. Their request for a warrant contained no charge that the Daily's staff had anything to do with the violence and no hint that the authorities feared destruction of the evidence. Extensive as the search was, it turned up nothing useful to the police.

The newspaper argued that the search violated the Fourth Amendment rights of citizens generally. The police, it was argued, could have sought their evidence by way of subpoena, a procedure that would have permitted orderly opposition. The newspaper also argued that First Amendment rights were infringed because such a sweeping search inevitably compromised information the police had no right to see. The court said no to both arguments.

* * *

Justice Byron White's majority opinion treated the newspaper arguments as though they had come from outer space. He said the

Stanford Daily was seeking "a major revision of the Fourth Amendment," by asking the court to "hold for the first time" that the validity of a search depends on the culpability of the search's target. But, as Justice John Paul Stevens showed in a lucid dissent, the court was not being asked to do anything so contrary to precedent. There was no precedent; the precise issue had never been before the Supreme Court. Until 1967, police could seek warrants only to look for such things as contraband, the fruits of a crime, or the instrumentality of a crime, like a gun. In 1967 the court ruled—for the first time—that searches for "mere evidence" of crime were valid under the Fourth Amendment.

That decision was what shattered precedent. It then became more probable that searches would disrupt the lives of innocent parties who might readily come into possession of evidence of crime; it was open to the court in the Stanford Daily case to require special procedures safeguarding their interests. Instead, the court would now allow officials to treat the law-abiding like criminals.

The court's treatment of the First Amendment issue was just as cavalier. "We decline to reinterpret the amendment to impose a general constitutional barrier against warrants to search newspaper premises," said Justice White. But First Amendment considerations made even stronger the case for added safeguards against such a search. In this decade, it is hardly fanciful to worry that public officials bent on obstructing justice might invoke such authority malevolently. Even worse, wiretapping is merely one kind of a search; there seems to be no Constitutional barrier to court-approved wiretapping of reporters' telephones.

* * *

The court itself acknowledged that legislatures are free to enact added protections for individual privacy and press freedom. Considering the way this court now interprets the Fourth Amendment, Congress and the state legislatures would be well advised to do so promptly.

THE NEW YORK TIMES.

Other U.S. Opinion

Outlay for NATO

It's a mighty big commitment. And, however unfortunate it may appear in philosophical theory, it surely seems a practical necessity—the commitment reached by NATO summit conference in Washington to spend as much as \$100 billion over the next decade to counter Soviet military power in Europe.

Despite continued efforts by the United States to move toward disarmament, the Soviet Union and its Warsaw Pact nations have steadily increased its military power and personnel in Eastern Europe, until now Communist military strength in Europe is considerably greater than the Western nations.

Faced with such conditions of fact, NATO had to react in kind—and so did, with the \$100 billion announcement following the close of the 15-nation group's meeting. In addition to the increased spending, NATO announced a long-term blueprint for welding

alliance forces into one wartime fighting unit.

President Carter also made it extremely clear that the United States is committed to NATO. In a closing statement to the allied leaders, he said that "an attack on Europe will have the full consequences of an attack on the United States. Let there be no misunderstanding. The United States is prepared to use all the forces necessary for the defense of the NATO area."

Those are tough words indeed, words that a good number of Americans will not like. In a perfect world, of course, no sensible people would like talk of war. And it's true that in this nuclear world, humanity's only real security lies in disarmament, certainly of all nuclear arms. But it takes two to tango; you know, and in Europe these days the Russians and fellow travelers are still war dancing.

—From the Atlanta Constitution.

In the International Edition

Seventy-Five Years Ago

June 8, 1903

MARSEILLES — Fifty-seven people were saved, but up to 150 are still missing today as a result of a collision yesterday off Marseilles between two passenger liners of the Fraisinet company, the Liban and Insulaire. The Liban sank within 20 minutes after the collision and the Insulaire had to be trimmed by the stern and taken into port to avoid sinking. Fifty-seven persons of the Liban's total complement of 200, ten of them badly injured, were rescued from the wreckage along with 25 bodies.

Fifty Years Ago

June 8, 1923

LONDON — While complete silence continues regarding the fate of the Italia, the dirigible which has been missing in the Arctic since May 26, both Moscow and Rome are rapidly organizing search parties, according to dispatches received here today. While the Russian search party is already en route for Archangel on the theory that Gen. Umberto Nobile and his men are in Franz Josef Land, neither the United States nor Great Britain are in a position to help materially in the search, at least for the present.



Brzezinski-Young Tension Examined

By Jonathan Power

LONDON — When Zbigniew Brzezinski had his first meeting with the South African Foreign Minister, R.F. Botha in the early days of the Carter administration there was a remarkable bit of opening conversation. Brzezinski welcomed his rather nervous guest, still anxiously attempting to find out which way the Carter African winds were going to blow. Saying "When I was a boy I used to play toy soldiers and my favorites were the Boers. I always stuck up for them." Botha relaxed into a broad smile unaware of the pinch to follow. "But then I always have been in favor of liberation movements," finished Brzezinski.

The impact on Botha of the remark needs no elaboration. What is revealing is Brzezinski's own commitment to radical change in southern Africa, a position that has become confused as press attention has focused in on the divide opening up between him and Andrew Young.

Paper Over

Both Brzezinski and Young go to great lengths to paper over the cracks. Brzezinski talks about his hopes that Young will be the first U.S. black secretary of state possibly within the life of the Carter administration. He anxiously enquires of visitors who know Young what Young thinks of him. I recall too, asking him before Young was appointed to the UN job what Carter saw in him. He replied that Young was the "right combination of energy, vitality, realism and idealism." Yet I get the impression, talking to some national security council staff members, that Brzezinski's opinion of Young is rather less than the remark suggests.

Young admires Brzezinski's intelligence and his powers of articulation. Young also argues that the press reads more into their policy differences than there are. "When we are round the table together," he says, "there isn't the kind of tension and sense of undercutting that the press make out." At the same time it is obvious that Young finds Brzezinski too emotional when it comes to discussing Cuban and Soviet intervention in Africa, and doubts, as many do, Brzezinski's political sense.

The fact that the Young-Brzezinski differences have not been thrown into relief earlier is due to at least four main factors. First, at the beginning of the administration Brzezinski and Young were determined not to contradict each other in cabinet and policy meetings.

Unmade

It was made easier, by the unanimity of purpose on southern Africa before Rhodesian Prime Minister Ian Smith's "internal settlement" clouded the issues. And secondly because it was obvious to everyone, at least in the first year, that Young had Carter's ear.

Indeed, Young's ideas on Africa

were almost carried out to the letter, until Somalia invaded Ethiopia

and the Russians and the Cubans came to the latter's aid. Third is the desire not to repeat the savage public infighting of the Nixon era.

When there are differences it is almost impossible to get word of them from the close-lipped principals themselves. One example was the debate on the "internal settlement" in Rhodesia in February.

Young had grave reservations about the "settlement's" viability and was worried that any sympathy shown for it publicly would make the job of dealing with the guerrilla-based Patriotic Front more difficult.

Brzezinski wanted to give it some benefit of the doubt, anxious to avoid a situation where the useful South African cooperation would begin to diminish. Neither, however, would confide to outsiders their disagreement with the other. Only when working diplomats in Africa or London had to deal with the confusing signals coming out of Washington was it apparent how significant were the differences.

Happy

The fourth reason is the President's own way of working with his top aides. He seems happy to have them publicly pushing for contradictory policies as long as they

don't personalize the issues. Consequently the policy takes a while to emerge and even when it does, it often bears the marks of the earlier contradictions.

But can the Young-Brzezinski tension continue merely to simmer below the surface or will it at some point erupt into full frontal view?

Now that one way and another the world is so informed of the differences between Young and Brzezinski it will be less easy to keep their staff from talking about it and even for the two themselves not to be drawn into more direct confrontation. On the other hand, there is

still much that binds them together, apart from their loyalty to the same boss. Brzezinski after all is the author of a remarkable book "Between Two Ages" highly critical of the U.S. attitude to Third World aspirations. Young for his part shares a conviction that capitalist democracies offer the best hope of providing the leadership for real change in a revolutionary world and that U.S. values who fully live up to them are second to none.

Acceptance

Most important, however, is their common acceptance of the

value of a spiritual component to foreign policy. Brzezinski's desire for the West to stand for "something transcendental" if it is not to be viewed as a "materialist hedonist society without much historical relevance to the dilemmas of our time" is off to far different from Young's belief in the philosophy of Martin Luther King Jr.

Add to that the fact that both men beneath their brave exteriors, share some of the same kind of anxieties over their roles and are repelled by situations that breed personal animosity and it is likely that their conflicts will be kept within bounds.

D-Day Plus 34 Years

By James Reston

WASHINGTON — On the 34th anniversary of the Allied invasion of Nazi-occupied Europe, the representatives of the United States, Britain, France, Belgium and West Germany met in Paris this week to consider what they could do, if anything, about the Communist activity in Africa.

They didn't do very much. In fact, they disappointed both the people who wanted them to confront the Russians and Cubans in Africa and the people who wanted them to stay out of all the military and political tangles of that country. But at least, they did something that may be symbolically important.

Historical analogies are usually misleading, and one of the problems at the moment is that there is a tendency on Capitol Hill these days to look on the Communist adventure in Africa as if it were as great a menace to freedom as the rise of Hitler. But the Allies do seem to be fearing one of the lessons of the 1930s.

No Security

This is that there is no security for any nation except collective security with other nations; that there are no "far-away places" or conflicts that can be ignored, as Neville Chamberlain at first tried to dismiss the tragedy of Czechoslovakia, and that the security of the Atlantic nations cannot be preserved within the boundaries of the NATO treaty, but must be defended by cooperative action wherever it is threatened by direct or indirect Communist aggression.

The Allies are striking a fairly good balance in dealing with these problems in Africa. They have not made the mistake of treating all nations alike. They have defended the principle of majority rule in Rhodesia, without declaring economic

warfare on South Africa. They put together a combination of U.S. air power and European manpower to chase the invaders out of Zaire.

They have warned the Russians not to overplay their hand in Africa, without confusing the conflicts in Zaire, Ethiopia and Angola, with the larger and more important issue of getting the world arms race under control.

This moderate approach to a highly complicated and ambiguous set of world problems has created difficult political anxieties for President Carter. He has been talking tough to Moscow, and sending his national security adviser, Zbigniew Brzezinski, to Peking to remind the Russians that he can play the China card if necessary—but he has been acting very cautiously.

No Jumping

He is not pulling out of Taiwan or establishing full diplomatic recognition of the Chinese Communists, knowing that this might cost him enough votes to defeat any new strategic arms treaty with Moscow in the Senate.

He is not jumping into Zaire or ignoring it. He is not breaking relations with Cuba (though he probably will in the near future), but in consultation with his European allies, he is helping to establish finance and transport a black African legion to counter Moscow's Cuban mercenaries.

Soldiers since the Allies are blockading the sea and parachuted by air into Normandy 34 years ago have been threatened by more difficult and subtle problems than they now have in Africa and the Middle East. They were fighting for their lives and countries then, and were united among themselves and with the Soviet Union in the final struggle against Hitler.

Letters

Political Wars

Rowland Evans and Robert Novak in their evaluation of the new chairman of the Joint Chiefs of Staff Gen. David Jones (IHT, May 12), call to mind the importance of military ethics. Gen. Jones, they assert, "not only embraces but energetically applauds" Carter administration political initiatives.

It has been a tradition in the U.S. military that an officer should not become involved in political issues. The reason, of course, stems from the fact that the president of his political appointees such as the secretary of defense, appoint (and can remove) an officer, such as Gen. Jones, to a senior post. One of the duties of a military officer is to provide private military judgments to his civilian superiors on a continuing basis. He is also expected to

render military appraisals to the Congress when called upon to do so.

If an officer, in good conscience, cannot support an administration policy (a South Korean troop pullout) then, in accord with the U.S. military code which recognizes civilian control over the military, he should retire to private life where he is free to speak out on political issues. If he does not choose to retire, then his president will remove him from his post, as Mr. Carter did by transferring Gen. Singlaub from South Korea to an obscure billet in Georgia from which he soon retired.

Conversely, it is equally inappropriate for a senior officer to lobby actively for the administration on major political issues as Gen. Jones reportedly has done.

Such political involvement creates doubts as to an officer's capability to render hard military judgments (which may not coincide with the desires of the White House), regardless of the consequences to this career.

This is the ethical issue raised by the Evans-Novak account which undoubtedly has caused concern within the military profession.

A serving officer should always remain aloof from political wars. Otherwise, the value of his independent military counsel may become suspect.

PAUL B. RYAN,
Torremolinos, Spain.

California: Assessing Tax Revolt

By George F. Will

WASHINGTON — In a sputtering on modern citizenship, in *Wodehouse's novel "The Luck of the Bodkins,"* published in 1935, lady, Grayce, although wealthy, wants a necklace snatched by customs. A friend explains Grayce doesn't like the idea of paying duty. She says it's such waste. She says the government got more money than is good for already and would only spend it.

Californians have acted Grayce's axiom. It is widely believed that California is not with whimsy, and worse. So people will insist that there is a national significance to the referendum on Proposition 13, whose voters have sharply reduced property taxes and limited future

<p

Computer Coders Hide Data in Ciphers

Cryptography and the Electronics Age

By Malcolm W. Browne

NEW YORK, June 7 (NYT) — Paper and ink used to be the raw material for society's valuable symbols: money, contracts, state secrets or plans for new weapons.

To safeguard those "valuables," human beings devised systems of secret writing soon after the dawn of recorded history.

Increasingly, however, the operating symbols of power and wealth became intangible flicks of electrons which travel through computers at almost the speed of light — and which cannot be locked up.

The shift from paper and ink to electrons, together with the proliferation of computers in government and human commerce, has made it urgent to protect computer data with secure cipher systems. So cryptography is today developing faster than at any time in history, and present-day codes are as remote from the best ciphers of a decade ago as liquid-crystal switches are from their springy predecessors.

Over the centuries, codes and ciphers increased in complexity

only very gradually. In the early 19th century, gifted amateur cryptographers like Edgar Allan Poe could easily hold their own with computers in devising and deciphering ciphers.

Two world wars and the development of modern communications changed that for good. The advent of computers made the art of cryptography the nearly exclusive domain of professional mathematicians and computer experts, because a computer can carry out so many possible ciphers so rapidly that no human brain working alone, much less an amateur cryptographer, can match it.

Standard Challenged

To store computer data safely, the cipher used must be so complex that only another computer knowing the cipher can extract them. Early this year the United States promulgated the first national standard for codes.

In effect, the standard specifies how difficult a cipher must be to qualify as protection for computer data. Devices meeting the standard, officially called the Data Encrypt-

tion Standard, or DES, must now be mated with all government computers handling nonsecret material. Banks and other big commercial computer users are following suit.

But already the DES has been challenged by private experts as potentially too easy. Even its champions concede that the cipher system provided by the standard will probably be obsolete by the early 1980s. Some critics charge that the standard was deliberately made too easy under orders from the National Security Agency, custodian of all official U.S. ciphers and eavesdropper on all ciphered foreign message traffic.

The agency, which professes to be the most secretive body in the government, has leaked the fact that it is not a bit happy to have so many university and commercial researchers in the cryptography business. Intelligence officials are worried about the virtually undecipherable codings schemes emerging from private institutions.

Helping the Enemy

The security agency contends that it needs to be able to eavesdrop on enemies, and if those enemies are provided with impenetrable codes devised in this country, security will be doubly damaged.

Last week it was disclosed that the government had forbidden the University of Wisconsin in Milwaukee to publish research it has done on computer data coding. Although the work was not classified secret, the government order said disclosure "might be detrimental to the national security."

To the old days, simple substitution was the basis of most ciphers: the alphabet arranged from A to Z was replaced by an alphabet in which the letters were arranged in a different order. But such ciphers are easy to decrypt, because each language uses its letters according to a regular frequency. For instance, the cipher letter turning up most often in an English-language message would probably be a substitute for E, the most common letter in English.

At the other extreme of difficulty is the one-time cipher, which cannot be understood by any outsider, regardless of the power of his intellect or of the computer he brings to bear on the problem. With the one-time cipher, the sender and the receiver of a message must both have identical copies of a random list of numbers. Each successive number on the list changes the substitution scheme for each successive letter in the message, so that no message shows any pattern that could betray the letter E or any other recognizable characteristic. As the list of numbers is used up, it is destroyed.

Never to be used again.

Long-Term Needs

U.S. officials said Egypt is concerned about a reliable supply of weapons to take care of its long-term needs.

While the Carter administration stressed the defensive nature of the fighter planes it is selling to Egypt, Saudi Israel and Israel, it appeared that might be a more difficult task for the administration to picture armored personnel carriers as defensive.

The personnel carriers, which are used to haul foot soldiers into battle zones, are considered key items of equipment in the kind of fast-moving warfare that has characterized past Arab-Israeli wars.

Gen. Gamasy's arrival yesterday coincided with Egyptian President Anwar Sadat's public reminder to recall that his country is ready to

use arms to settle their continuing dispute if Israeli Prime Minister Menachem Begin does not accept the Egyptian peace initiative.

In a speech to his soldiers stationed at the Suez Canal, Mr. Sadat hinted that war is an alternative to his seven-month-old peace drive should it fail.

There have been no commitments by the United States to provide the armored personnel carriers or any other military hardware beyond the jet warplanes.

However, Defense Department officials appeared sympathetic to Egyptian arguments that Cairo's Army and Air Force need an infusion of modern weapons and equipment to replace gear furnished by the Soviet Union before the two countries split politically about three years ago.

Proposal Not New

The Egyptian proposal to buy about 800 tracked armored personnel carriers had been under study before the jet sales deal reached its critical vote in the Senate. But it was not publicly acknowledged by administration officials, apparently of concern that it might deepen opposition in Congress to the plane

position in Congress to the plane

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French Children Meet Japanese Master Kitemaker

Objective: Flights of Fancy

By Jane M. Friedman

PARIS, June 7 (IHT) — Hundreds of French youngsters have turned their fancies to kites — they are making them and flying them under the instruction of a mysterious-looking kite maker from Japan. Both the kite maker and the craft have swept the children off their feet.

The kite maker is 46-year-old Mitsuo Okatake, a book designer from Osaka who discovered the joy of kites five years ago. Mr. Okatake, who paints traditional Japanese puppets on his five-sided kites, was brought to France under the auspices of a kite-flying festival to be held on June 25 in the Bois de Vincennes (oo the southeastern edge of Paris), an event sponsored by the International Herald Tribune and Japan Air Lines. The Pompidou Art Center at Beaubourg hired him for two weeks to teach French schoolchildren how to make and fly kites. The classes started May 31 and end Saturday.

In all, 24 classes of French children will make traditional Japanese kites at the center's Atelier des Enfants under Mr. Okatake's instruction. Saturday, Beaubourg will hold a "wind festival" on the plaza in front of the art center where Mr. Okatake will demonstrate his own kites and the children will fly theirs.

"This was super," said 9-year-old Marc Mercier after a recent session with Mr. Okatake at which the children assembled four-sided kites from rice paper, bamboo sticks and special glue all brought from Japan. "At least we have something we can take home with us," said Sandrine Delphine, who was jealous at first of other 9-year-olds next door exercising on hars. When the children began to realize that the kites would actually fly, they became enthralled.

Color Scheme

"I'm going to color mine red, blue and yellow," said Sandrine, "but I have to attach a string first so that it doesn't fly away," Stephanie Gauvin, her friend, said that she would add purple to the color combination.



Jean-Pierre Pavillard
Mitsuo Okatake supervises young French kite makers at Centre Beaubourg's Atelier des Enfants.

Although Mr. Okatake speaks no French, he manages a warm, nonverbal communication with the children. "I understand children easier than I understand adults," he said later through an interpreter.

Mr. Okatake, who was born in Osaka, is one of about 15 recognized kite artists in Japan. At age 25, after working in a government office, a local factory and at a newspaper, he began to take drawing and painting lessons. Later, he drew for children's books. Five years ago, after drawing kite themes for a book, he became fascinated by Japanese kite designs.

Kites have been popular in Japan since the 7th century, when they were apparently introduced by visiting Chinese. Traditionally, kites were used in religious rituals, harvest festivals and even war.

Today's kites, which often bear pictures of theater figures and are

fashioned to mock kite wars, were developed in the 19th century. According to Mr. Okatake, 2,000 Japanese are employed in making kites today.

Mr. Okatake's kites, which are five-sided and wider on the bottom than on top, bear painted portraits of puppets from Osaka's Budokudo theater, which was created in the 17th century. In the Budokudo theater there are about 10 white-faced puppets, with elaborate head dressings, small heads and wide bodies. The plots often involve a guileless girl, an evil man and an honest man. Double suicides in tragic love affairs are frequent.

Emblem of Osaka

"Many kite makers paint the Kabuki theater of Tokyo," said Mr. Okatake after a kite lesson last week. "I wanted to do something else." A proud resident of Osaka, said, "Children are the same all over the world."

On his first visit to France, Mr. Okatake has become enamored of French children. "They're so we behaved," he said last week. "On even kissed me on the cheek after lesson." Of the children's enthusiasm for kites, Mr. Okatake concluded, "Children are the same all over the world."

The Beaubourg Atelier des Enfants has attempted to recreate Mr. Okatake's Osaka studio with wooden working table. A sample of his vibrant kites is strung on a wall behind him. Some of the children's work is also exhibited in the atelier.

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Fashion in New York

Europeans Cutting Into U.S. Ready-to-Wear Market

By Hélie Dorsey
NEW YORK (IHT) — European ready-to-wear designers are finally making it in the United States.

For a long time, with the exception of Henri Bendel, the picture was not as good as it should have been. American store presidents and buyers went to Europe regularly and stirred a lot of wind with hardly any results back home. With Seventh Avenue in tight control of the fashion industry, those trips were primarily for prestige and window dressing. They also helped the Americans to keep up with the new fashions and, occasionally, to do a little copying on the side at cheaper places, such as Hong Kong.

As of now, the store has captured Krizia, Armani, Basile, Ondicini and Fendi. Other well-known Italian names are in accessories, such as Trussardi (bags), Mario Valentino (shoes and leather clothes) and Ripa (furs).

Italian clothes are more sporty than French ones," fashion director Dawn Mello said. "That's why American women relate to them. Also, despite the fact that European merchandise is 25 percent higher, because of duty, they are still, in many cases, as good as money in the bank. Mila Schoo's clothes, for instance, walk right out."

All told, Bergdorf-Goodman has invested 30 percent of its purchasing to European fashions, which "as a percentage of total is very high," Mr. Neimark said. "It runs into millions of dollars."

As a result, U.S. stores now buy in depth and spend considerable time and money on promoting European styles. The difference is particularly striking at Bergdorf-Goodman, whose president, Ira Neimark, has tried hard for the last three years that he has been there to give European designers star status and exposure.

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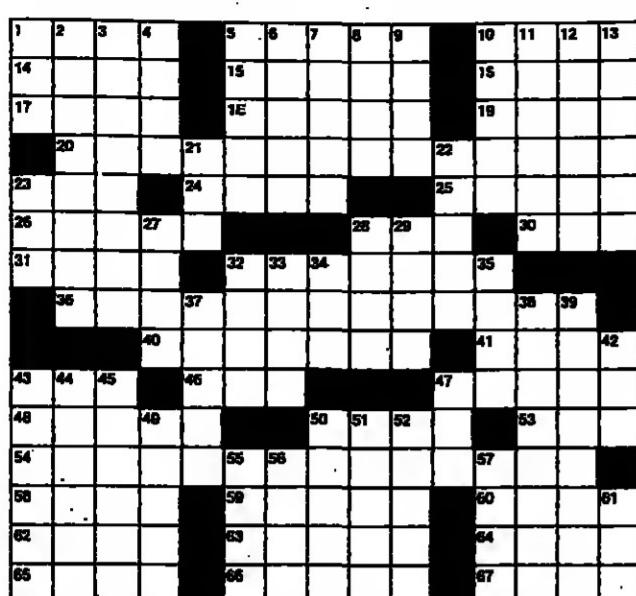
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NYSE Nationwide Trading Closing Prices June 7

| 12 Month Stock | | Stk. | | Chg/Prev | | 13 Month Stock | | Stk. | | Chg/Prev | | 12 Month Stock | | Stk. | | Chg/Prev | | 12 Month Stock | | Stk. | | Chg/Prev | | 12 Month Stock | | Stk. | | Chg/Prev | | | | |
|---------------------------------|------|----------------|-----|----------|-----|----------------|-------|----------------------|------|----------------|-----|----------------|-----|----------------|-------------------------|----------|------|----------------|-------------------------|------|--------|-------------------------|---------|----------------|---------|-------------------------|------|----------|---------|-----|---------|---------|
| High | Low | Dly. In 2 Yrs. | P/E | High | Low | Gdp. | Clos. | High | Low | Dly. In 5 Yrs. | P/E | High | Low | Dly. In 6 Yrs. | P/E | High | Low | Dly. In 6 Yrs. | P/E | High | Low | Dly. In 6 Yrs. | P/E | High | Low | Dly. In 6 Yrs. | P/E | High | Low | | | |
| (Continued from preceding page) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1978 13% GEMINI Jr. | 51.1 | 25 | 178 | 176 | 176 | — | — | 5024 48 Klidde HIC 4 | 7.9 | 8 | 892 | 504 | 890 | — | 4764 34% NSItech 1.18 | 1.18 | 1.15 | 58 | 6114 | 62 | 2494 — | 14% | 154 + 4 | 16% | 16 | 32 | 6 | 181 | 164 | 164 | 159 + 3 | |
| 1978 13% GEMINI Jr. | 51.1 | 25 | 178 | 176 | 176 | — | — | 5024 29 NotBull 2.50 | 2.50 | 2.51 | 214 | 214 | 214 | — | 3974 16% Schildt 1.10 | 1.10 | 1.17 | 1614 | 8516 | 8474 | 8474 | 8474 | 62 | 62 | 1176 | 429 | 429 | 429 | 429 | 32 | 51 | 515 + 3 |
| 1978 13% GEMINI Jr. | 51.1 | 25 | 178 | 176 | 176 | — | — | 5024 36% KlimCo 2.40 | 5.8 | 5.2 | 484 | 478 | 478 | — | 6164 24% Radmen 7 | 5.62 | 5.56 | 519 | 519 | 519 | — | 4524 52% Radmen 4.50 | 5.5 | 6.1 | 224 | 218 | 218 | 218 | 218 | 54 | 54 | 544 + 2 |
| 1978 13% GEMINI Jr. | 51.1 | 25 | 178 | 176 | 176 | — | — | 5024 36% KlimCo 2.40 | 5.8 | 5.2 | 484 | 478 | 478 | — | 2234 20% RadenB 1.40 | 1.40 | 1.52 | 2234 | 2234 | 2234 | — | 2234 23% ScifitFor 1.40 | 1.40 | 1.49 | 193 + 1 | 2234 23% ScifitFor 1.40 | 1.40 | 1.49 | 193 + 1 | 21 | 21 | 21 |
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CROSSWORD By Eugene T. Maleska



ACROSS

- One of the Three Bears
- Weight of interest to Diamond Lil
- Skinflint
- Impediment to progress
- Type of tree "Gloomie Dean" of St. Paul's
- Vetch
- Dr. Richards of temis
- Harem rooms
- "Rigoletto" aria re womankind
- Charisse
- Lithuanian's relative
- Composer of "The Rosary"
- Useful
- Sometime member of the wedding
- Suffit with exist and insist
- City on the Arno
- City official
- A woman, to Pope
- Little-known Moses
- Tadpole's parent
- Murray's "Caught in the —— of Words"
- Miss Dodo

DOWN

- Sound seeking silence
- Word with geometry or judgment
- Dante's "—"
- On in years
- Chili con —
- F.B.I. man
- Attacked
- Fit to —
- Abound
- Tearful queen
- Salad tidbit

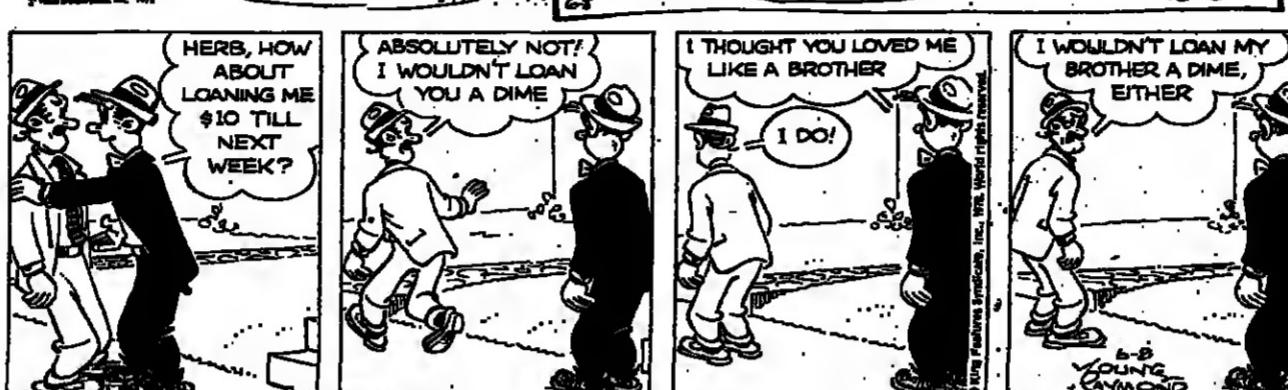
P E A N U T S



B. C.



B L O N D I E



B E E T L E B A I L E Y



A N D Y C A P P



W I Z A R D o f ID



R E X



R I P K I R B Y



BOOKS

THE OTHER HALF

A Self-Portrait

By Kenneth Clark. Harper & Row. Illustrated. 259 pages. \$12.95

Reviewed by Christopher Lehmann-Haupt

IN THE first volume of Lord Clark's autobiography, "Another Part of the Wood," we learned how, despite a singular lack of qualification for anything he ever undertook in his life, the author nevertheless became the highly successful director of the National Gallery and Keeper of the King's Pictures, and with his wife, Jane, succeeded at befriending most of England. In "The Other Half: A Self-Portrait," the incompetent bumbles on. He begins with the events that led to his receiving false credit for being "the man who saved the nation's pictures" during World War II by depositing them in the Manod caves in north Wales. "This claim is entirely unjustified. The man was F.L.G. Rawlins. He received inadequate thanks from me, and as far as I know, no official recognition, not even an OBE. That was partly due to his diffidence, and partly because he was the most relentless bore I have ever known, and the kind of people who distribute honours fled from his approach."

At the same time as he wasn't saving England's pictures, he was appointed director of the film division of the wartime Ministry of Information, where he messed things up sufficiently to be advanced to Controller of Home Publicity. After the war, he resigned from the National Gallery ("Had I been a good director? ... not very") and stumbled into the job of Slade Professor at Oxford, where he began to turn what little he knew about art into lectures and books. This new activity along with his somehow having managed to found the Independent Television Authority ("Like all pseudo-intellectuals I had at first been hostile to the idea of television") would eventually lead to his doing the television series "Civilisation," which got off to a poor beginning but culminated in making him famous—inevitably—and embarrassingly. ("I was brought up to believe that any work of art, music or literature that is enormously popular must have something seriously wrong with it. I see no reason why 'Civilisation' should be an exception to this rule.")

There is even some question as to whether Clark ought to have written this second volume. His memory is failing, he keeps protesting when he isn't describing in minute detail the people, places, and art objects he knew over a quarter-century ago. He could never recapture the sense of a past historical era that was the hallmark of the first volume. "But after two years my son Alan talked me into changing my mind" about writing "The Second Hall." I recognized that some of the episodes in which I had been concerned as the principal actor were passing into history—a very minor branch of history, to be sure—but one which would appear in footnotes."

Considering its marginal value and the pervasive ineptitude of the man who wrote it is there really any point to reading "The Other Half"? Possibly, there is. A few readers may recognize and be interested in Clark's multitude of friends and associates—Winston Churchill, John Maynard Keynes, Andre Maurois, Myra Hess, Edith Sitwell, Christopher Lehmann-Haupt is a book reviewer for The New York Times.

New U.S. Casino Reports Its Take

ATLANTIC CITY, N.J., June 7 (NYT) — Resorts International reported that in the first six days of operating the nation's first legal gambling casino outside Nevada it made an average of \$438,504 daily.

The report yesterday, based on figures provided to the State Casino Control Commission in Trenton, said that the casino took in \$2,631,028 from May 26 to the end of the month, which included the Memorial Day weekend. Of this, more than half — \$1,455,219 or \$42,536 a day — was from slot machines, although the machines take up less than one-third of the gaming-floor space.

The state limited the number of slot machines because they give the better a poorer chance of winning than do blackjack, craps, roulette, and wheels of fortune, the other forms of gambling at the casino.

BRIDGE

By Alan Truscott

A normal auction led to four hearts on the hand shown, and West led the spade eight. Dummy played low, and South captured the ten with the king. He played three rounds of diamonds, discarding a spade and thought twice over.

It appeared that East had held spade length headed by A-J-10. The declarer judged correctly that the heart ace was on his left. If East had held that card, he would probably have over-called. So instead of playing a

| | |
|-----------|--|
| NORTH (D) | |
| ♦Q4 | |
| ♦K52 | |
| ♦AKQJ | |
| ♦1083 | |
| WEST | |
| 85 | |
| ♦A1094 | |
| 038723 | |
| ♦J76 | |
| EAST | |
| ♦A1082 | |
| Q4 | |
| ♦J7 | |
| SOUTH | |
| K67 | |
| ♦J753 | |
| 52 | |
| ♦AK4 | |

Both sides were vulnerable. The bidding:

North East South West

1 ♠ Pass 1 ♠ Pass

2 ♠ Pass 4 ♠ Pass

Pass Pass

West led the spade eight.

On the face of it, South was due to lose three trump tricks and a club for down one. But when he led the king club and exited with his remaining club, West had to concede a trump trick at the finish and the game was made.

JUMBLE

THAT SCRABLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

MALUB**NEWIT****SHAMON****DEKBEC**

They're after me! Good-by!

I SPEAK VERY STRANGELY MR. DESMOND.

IT'S DETECTIVE PARLANCE, MY DEAR. I MEAN I HAVE SOLVED ANOTHER MYSTERY...

AND I FEEL LIKE A MAGIC SO-

FATHER. YOU DON'T HAPPEN TO HAVE A PUMPKIN AND

SPARE MICE, DO YOU?

PERHAPS YOU SHOULD DRINK SOME BUTTERMILK

AND SIT QUIETLY FOR A MOMENT.

I HOPE YOU'RE NOT PREJUDICED AGAINST OLDER MEN!

JUST THE OPPOSITE IS TRUE! I HAVE AN UNRESOLVED OEDIPIUS COMPLEX!

THE MAN IN THE WAITING ROOM IS A PHYSICIAN, AN OLD FRIEND AND MEDICAL SCHOOL CLASSMATE OF DR. MORGAN!

THE CLUE CLUNCHES MY CASE!

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Brazil, Spain Draw; Austria Wins

MAR DEL PLATA, Argentina June 7 (AP) — Three-time World Cup winner Brazil was held to a scoreless draw today by a scrambling Spanish defense.

Austria, meanwhile, outpaced Sweden to win 1-0 on a penalty and qualify for the second round of the World Cup.

The tie dimmed Brazilian chances to enter the second round. It gained one point, keeping it in second place behind Austria in Group 3.

The Brazilians must play Austria on the spongy Mar Del Plata field on Saturday.

The Brazilian attacking line was a pale shadow of the precision passing and shooting for which it was known. The absence of Roberto Rivellino seriously hampered the Brazilian team; roundly booted by thousands of its fans here.

But the Spanish defense, led by the spectacular leaps of goalies Miguel Angel Gonzalez, was able to neutralize many of the Brazilian attacks.

In Buenos Aires, Jahan Kraki, Austria's goalkeeper, converted the penalty in the last minute of the first half.

With Brazil and Spain drawing, Austria cannot be overtaken in Group 3. The Austrians have four points from two games, Brazil two and Sweden and Spain one each.

Any of the other three teams still has the chance to move into the second round with Austria.

Austria-Sweden was a clean game, unusually free from fouls, yet it was a foul that decided the result.

As the first half was ending, Kraki cut into the penalty area from the left wing and Bjorn Nordquist, Sweden's international veteran, brought him down.

But the Austrians were clear winners and owed their success to their speed. They were faster to the tackle and to the loose ball than the Swedes.

The Brazilians came close to scoring on three occasions two of them from Nelinho. The other was from Zico who took a fizzing free kick in the second half, shaving the Spanish crossbar.

The most thrilling moment of the match came after an intense but impulsive Brazilian bombardment of the Spanish goal. Juanito, the best Spanish attacker on the field, leaped into a counterattack on the left side.



French goalkeeper Jean-Paul Bertrand-Demane is taken off field.



Brazilian player Oscar leaps over Cardenoso of Spain.

France in Defeat, Opponents Advance

By Rob Hughes

CORDOBA CITY, Argentina, June 7 (IHT) — "Argentina, Argentina."

said, will resign because of a mercenary attitude displayed by his team here.

Tournament's Star

Yet, in the eyes of most neutrals here, France has been the most attractive side of the tournament's first round. Its midfield, hinged on the superlative touch play of Michel Platini and the surdness of Dominique Bathenay, baffled Italy and Argentina with its persistent interpassing, its emphasis always on the offensive.

Behind that, Marius Tresor, the French captain, nevertheless has been the most dominating, positive leader we have seen. However, in each match, France missed the presence of an aggressive attacker to convert its superiority into goals.

Last night, it exposed Argentina's defense for long spells yet went behind on the stroke of time when Swiss referee Jean Duval awarded a penalty for handball when the ball struck the right hand of Tresor as he fell to the ground after making a good tackle.

Patrice Fresco, an English photographer hardly noted for his reticence, screamed: "If that was a penalty I could be the next pope."

It demonstrated how the French had captured neutral hearts. But Argentine fullback Daniel Passarella demonstrated how to take a perfect penalty, hitting the ball with its pleasant, open manager what it is

ultimate ferocity and into the bar-gain sending the French goalkeeper the wrong way. France recovered, wove patterns through a panicky Argentine defense, and scored a classical equalizer when Platini hit the rebound into the net with the Argentine defense devastated.

At this time, as at times against Italy, France looked unbeatable but, without forward strength, its effort wilted. Argentina produced a critical goalscorer of its own in Leopoldo Luque who, after 73 minutes, was allowed the time and room to turn and deliver a superb goal from 25 yards which utterly deceived Dominique Baratelli, who had come on as substitute goalkeeper when Jean-Paul Bertrand-Demane injured the base of his spine making a save against a post.

Italy Moves On

That, sadly, is the end of the French, no matter how they play against Hungary this weekend.

In the same group, Italy joins Argentina after eliminating Hungary, 3-1, a victory smooth and convincing, one which reiterated that in Paolo Rossi the Italians have discovered an 11th-hour scorer and attack-leader. Rossi, Roberto Baggio and Romeo Benetti (pleasant surprise in this World Cup, using his skills going forward more than his infamous ugly destructive flair) scored three times in the first hour

and, despite conceding a late penalty, Italy had no troubles with the disappointing Magyars.

computer and had run been programmed for such audacity from Tunisia.

On Saturday, the Argentines-Italy match in Buenos Aires, one which conjured visions of blood and crowd trouble, becomes a tame affair, one between two already qualified teams and one which may now become a strategic cease-fire, depending on whether it is important for either to win to secure a favorable second-round opponent. Because Italy and Argentina could yet contest the final they will be giving little away.

Meanwhile, we also witnessed last night what could be the authentic beginnings of the African emergence in world soccer. Tunisia, having thrashed the poor Mexican team last week, shook Poland in a first half in which the Poles scored a late goal by winger Grzegorz Lato. But then, with the Argentine crowd urging on the Tunisians, the response was amazing: a display of quite sophisticated but certainly passionate African pressure which rocked the Poles, a team which increasingly looks as if it plays by

surprise tactics that eluded them.

"We think he can step right in there with us," Finley said, announcing his intention to have Mike Morgan, a right-handed pitcher from Valley High School in Las Vegas, Nev., start for the A's on Sunday. "We would not have drafted him if we didn't think we were getting the best."

"Don't forget we had good luck with two other pitchers who were high draft choices and never pitched in the minors," said Finley. "One was Catfish Hunter and the other was Lew Krausse."

Finley said that as a senior, Morgan gained 111 in 72 innings, gave 26 hits and had a 7-2 record and an ERA of 0.68.

The Atlanta Braves, whose park is a home run hitter's dream but whose lineup has been unable to supply the long ball, chose college baseball's all-time leading slugging draft to open the summer free-agent draft.

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In other matches yesterday, Ramirez downed Victor Pecchi, 6-2, 6-2, 7-6, and Orantes and compatriot Jose Higueras beat Stockton and Erik van Dillon in the doubles quarterfinals, 6-0, 7-5.

In the women's quarterfinals yesterday, defending champion Mima Jausovac beat Kathy May, 6-4, 6-2, and Regina Marsikova downed Helga Masthoff, 6-3, 6-3.

Advances in French Tennis

Vilas Survives Gildemeister Threat

PARIS, June 7 (AP) — Defending champion Guillermo Vilas survived a crafty challenge from Hans Gildemeister, 6-4, 2-6, 6-1, 3-6, 6-3, to day into the semifinals of the \$400,000 French Open tennis tournament.

Dick Stockton also moved into the semifinals with a surprising 5-7, 6-3, 6-4, 6-4 triumph over Manuel Orantes.

Top seed Bjorn Borg, the favorite here to win his third French Open title, had a day's rest after outlasting Roscoe Tanner yesterday.

The soft-spoken Spaniard, a favorite on the pro tour, said that he would skip Wimbledon in favor of a rest.

In women's competition, Virginia Ruzici rallied to advance to the

semifinals with a 6-7, 6-4, 8-6, victory over Fiorella Bonicelli.

In men's doubles, Artur Ashe and Brian Gottfried beat Arthur Ashe and Fred Macnair to move into the semifinals.

Bjorn Borg and Argentina's Guillermo Vilas favored to advance to a clash in the final on Sunday.

Orantes, who pinched a nerve in his back last month, fell during the fourth set and clutched his back. But he said that he did not think that the match had aggravated the injury.

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Major League Standings

| NATIONAL LEAGUE | | | | | | | | | |
|---------------------------|----|-----|----|------|----|----|------|----|----|
| (Standings on 125 of 160) | | | | | | | | | |
| NATIONAL LEAGUE | | | | | | | | | |
| G | AB | R | H | Pct. | W | L | Pct. | GS | GB |
| 1 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 2 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 3 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 4 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
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| 32 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 33 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 34 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 35 | 28 | 104 | 60 | .535 | 15 | 13 | .535 | 3 | 12 |
| 36 | 28 | 104 | 60 | | | | | | |

Art Buchwald

The Guru Speaks

WASHINGTON — Whenever I get worried about the economy, I go up to the top of the mountain to see the Great Exalted Economist.

Last week I found him seated cross-legged in front of his cave in his Pierre Cardin robe reading the Wall Street Journal.

I placed a fresh sirloin steak at his feet and bowed.

"Oh, Master," I said, "please tell me what is going on with the economy in this country at the moment."

The Great One said, "We are going into a spiral inflation now which could lead us into double digits. The reason for this is that the economy is overheating, and there are too many dollars chasing too few goods."

"I thought you'd say that," I told the Exalted One. "What can we do?"

"We can do many things, but it



Buchwald

has to get worse before it gets better."

"That's bad," I said. "When you live with a high employment rate and a low productivity record, until the gross national product in real dollars does not increase, you are faced with a stagnant economy which makes everyone fearful and causes price hikes which lead to unrealistic wage demands."

"Of course," I said. "But surely there are other reasons for coffee costing \$3.15 a pound."

"There are many reasons for that, not the least of which is that we are drinking more coffee from Brazil than we are selling coffee cups to the Brazilians. The American dollar is under attack and the weather has been lousy in São Paulo. That is why interest rates have gone up in Chicago."

"I feel like a rock has been lifted off my shoulders," I told him. "Tell me, Master, why does a shirt that cost me \$7 two years ago now cost \$11?"

"Government spending and OPEC must take equal blame for the rise in the cost of your shirt. While one is trying to take the shirt off your back, the other is squeezing you dry. Government drives the inflation engine, which is fueled by the oil we must import to pull the weight of our \$60-billion deficit. At the moment the engine is going full steam while the average citizen is hanging on for dear life in the caboose."

"Blessed Guru, what is the answer?"

"The only solution is to bite the bullet."

"I like your solution. It seems much simpler than the others," I told him.

"But while biting the bullet, we should not throw out the baby with the bath water."

"Right," I said, trying to remember it all.

"We must hold our hand firmly on the rudder until the storm blows over, keeping all options open even if it means tightening our belts."

"I knew you would have the answer, Exalted One," I said with tears in my eyes.

"He turned to go into his cave to broil his steak. The last words he said to me were, 'Then again, I could be wrong.'



"...so Archibald kissed her agin an' gently put her head on th' pillow. She gazed at him wif half-shut eyes — tremblin' hard — don't forget to buy next week's installment at yer newsstand."



A look at the work of Bill Mauldin. At left, Willie and Joe in 1945. At right, an encounter in Santa Fe, N.M., in 1978.

Venice Opera Superintendent Quits in Scandal

VENICE, June 7 (AP) — Gian Mario Vianello, superintendent of Venice's La Fenice opera house, has resigned amid a scandal involving allegations of fraud and kickbacks in Italy's opera world.

Also resigning was the theater's administrative council, headed by Venice Mayor Mario Rigo, a council statement said yesterday.

It said the resignations were to protest a "failure" by the government to provide proper rules for the operation of the country's opera theaters.

Thirty-four persons were arrested last week and charged with extortion and fraud following a two-year investigation of methods used to employ Italian and foreign singers.

The probe was ordered after a group of singers complained that opera houses were baring performers through private theatrical agencies, a practice banned under a 1967 law covering theaters that receive state subsidies.

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A Rare Reunion With Willie and Joe

By Bill Mauldin

SANTA FE, N.M. — Every 10 years or so, traveling about the country, I run into Willie and/or Joe, the ex-dog faces with whom I soldiered for a moment in the crusade against Hitler.

trouble. He'd leave a sleeping Kraut.

"German," Joe corrected.

"We're all buddies now."

I asked the pair how they felt,

almost 40 years later, about their service in the crusade against Hitler.

\$21 per Month

"Is that what it was?" asked Willie. "We were in the National Guard for meals, clothes, and a couple of bucks for Saturday drilling in the armory. Next

thing we knew, the division was mobilized and we were full-time mercenaries at \$21 per month."

Any opinions about the modern volunteer Army vs. a return of the draft?

"Why drag 'em in crying?"

asked Joe. "The way it is, if a man beats you can always say, 'For a handful of nickels you got yourself into this.' Willie and I made it through our war telling each other that."

I asked for thoughts about the war in Vietnam, controversy over amnesty for evaders, and our present and potential involvement overseas, so to speak."

"One thing I'll say for Joe," Willie declared. "He never made me nervous trying to stir up.

"If I could figure out why we

sent anybody to Vietnam in the first place, I could tell you what I think of it," Willie said.

"Stuck signal," muttered Joe.

"Hub."

"There was this MP Beaufant

waving heavy traffic to the docks

— tanks, trucks full of soldiers,

artillery, everything — and his arm got a cramp," Joe explained.

"So they just kept pouring stuff

over there. You know how hard

it is to get the Army off its butt

or to stop it once it starts doing something."

"As for amnesty," Willie put in, "it looks like a lot of kids

were smarter than their elders.

How can anybody expect us to

forgive them for outsmarting us?"

"We hired one for a while in

Vietnam," Willie said. "It didn't work out so good."

"Want to get the Cubans out of Africa?" Joe asked.

"Send a bunch of more combat troops to that base we've got down south — Cuando, or Geromino."

"Guantanamo."

"I didn't say invade Cuba,

mind you — I just said crowd 'em a little. Castro would twitch

like a goat full of razor blades

and start hauling his bodyguards home."

"Before I'll go along with sending any American soldiers anywhere for any reason," Willie announced, "they have to promise the kids that when they come back, win or lose, they get lots of free beer and nobody throws rocks at them."

The aging pain wandered off,

each in his own direction.

©1978 Bill Mauldin

Africa Question

Should we consider intervening in Africa where Russian-backed Cubans are already involved?

BILL MAULDIN, who rose "painfully" to sergeant in five Army years (1940-45), drew the panel cartoon "Up Front" for the Army newspaper Stars and Stripes. He is now a syndicated editorial cartoonist and columnist whose work is The Chicago Sun-Times.

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Herald Tribune
 Published with The New York Times and The Washington Post
 PARIS, JUNE, 1978



Economy

State on Spending Spree For Development Plan

CARACAS (IHT)—Venezuela, which became rich practically overnight when oil prices rose spectacularly in 1973, has been spending its money nearly as rapidly as it got it and has gone into debt. The country has not, however, necessarily squandered its wealth.

Boom

Some money did trickle down to low-income groups. (In addition the poor are partially sheltered from inflation by government price controls over a wide spectrum of popular goods and basic services.)

In the whole, Venezuela has been spending its money in a relatively inside fashion and has gone into deficit for sound business reasons. Early, the country has encouraged—and will continue to encourage—serious problems in efficiently administering its abundant resources. But despite prafalls in one delays, waste and flaws in government's economic program, Venezuela is unmistakably growing ahead.

The administration of President José Andrés Pérez, sworn in at the start of 1974, inherited theanza produced by the decision made a few months earlier by the Organization of Petroleum Exporting Countries (OPEC) to raise oil prices. Even though Mr. Pérez and his advisers ordered cutbacks in oil production their first year in office, they saw the government's oil revenues more than double. The central government got that first year rose to 42.5 billion bolívares (\$9.89 billion), up from the previous year's 14.8 billion bolívares.

Affluence

Even in the thousands of ranchos—or shanty houses—that cover parts of this modern city, a degree of affluence is visible. Some of the neighborhoods, particularly the newer ones, are indeed studies in misery. But older rancho areas, where families have lived in the same houses for years, are middle class neighborhoods where homes often sport rugs, radios, televisions, refrigerators and other appliances.

The country's gross domestic product (at current prices) grew by 53.6 percent in 1974, thanks to the increments in oil prices and petroleum receipts: GDP between 1972-74 increased by 11.6 percent. Last year, GDP growth was reported by the State Planning Ministry to have been 8.4 percent, up from 7.7 percent in 1973. (These and other figures are from the National Plan for Social and Economic Development, a bulky document published in 1976 calling for government investments of \$8 billion in bolívares between 1975-77. This plan contemplates massive amounts of government outlays in following areas: industry (steel, aluminum, electric power); transportation (the national railway system, the Caracas Metro, highways, passenger jets, ships); a broad range of public works; agriculture and unproductive allotments for education, health, social welfare and foreign trade.

(Continued on Page 2)

Nationalization of Oil Sector Has Been a Resounding Success

CARACAS (IHT)—Venezuela's petroleum industry—under full government control for over two years—continues to function as the most efficient, profitable and significant sector of the national economy.

Last year the nation produced 816.1 million barrels of crude oil, an average of 2.24 million barrels per day (bpd), and exported crude and refined products totaling 736.9 million barrels, or a daily average of 2.02 million barrels. These figures are down slightly from levels registered in 1976, and are far below the output and sales of big Middle East producers like Saudi Arabia and Iran, but they nonetheless rank Venezuela as one of the world's major oil exporters and the largest in Latin America.

This year crude production has averaged 1.9 million bpd, off 14 percent from the government's goal of 2.2 million bpd. If this trend continues, the government will have to cope with a substantial drop in its revenues—most of which come from petroleum exports. However, government spokesmen are confident that demand will recover and that the industry will be able to reach a point near its production target by the end of the year. In any case, the Cabinet has already ordered spending cuts totaling more than 2 billion bolívares (\$465 million) in the government budget, which is now \$2.6 billion bolívares.

Most of Venezuela's petroleum exports have traditionally been sold to the United States, and this situation has remained unchanged since nationalization. The East Coast of the United States purchases the lion's share of Venezuelan oil in the form of crude or residual fuel oils.

Government figures show that 34 percent of total Venezuelan oil sold abroad goes directly to U.S. markets, while 11 percent is shipped to Canada and 34 percent to the Caribbean. (Most of the oil sold in the Caribbean goes to Exxon and Shell refineries in the Dutch Antilles where it is processed and reshipped to American customers.) Central and South America buy about 8 percent of the country's petroleum exports while 11 percent is sold in Europe.

Total Income

The state holding company responsible for running Venezuela's nationalized oil industry—Petroleos de Venezuela—reported that total income last year in the oil sector amounted to 41.3 billion bolívares with 39.5 billion bolívares derived from export sales. The state oil monopoly paid the treasury over 26 billion bolívares in taxes and royalties last year and reported net income of approximately 3 billion bolívares for itself. These results were considered satisfactory by in-

dustry executives and roughly matched the holding company's performance in 1976, the first year it managed the nationalized oil complex.

Petroleos de Venezuela was formed by the government in 1975 in order to direct and coordinate activities of the separate firms that came under its control on Jan. 1, 1976. In 1976, Fortune magazine placed Petroleos de Venezuela in 11th place among the 500 largest industrial corporations outside the United States. With sales totaling more than \$18 billion in 1976-77 and assets of nearly \$3 billion, Petroleos is ranked No. 24 in Fortune's list of the 500 largest industrial companies worldwide.

Petroleos de Venezuela currently oversees activities of the 14 operating companies that existed at the time of nationalization. (More than 14 foreign oil companies were taken over in 1976, but only 14 were actually producing oil, the rest having various investments in the country.)

The state oil monopoly is moving ahead, however, with plans to consolidate existing companies into four large units, which will offer a more efficient industry structure.

The four major affiliates of Petroleos, according to sources in the industry, will be Lagoven (formerly the Exxon subsidiary here, known as Crocol Petroleum); Maraven (formerly Shell de Venezuela); Meneven (formerly Gulf, in association with other U.S. firms) and CVP/Lanoven, a combination of the old government oil company CVP (Corporacion Venezolana del

This Section

This special report was prepared and written by Joseph Mann with Keith Grant and Monte K. Hayes.

The current value of the bolívar is 4.3 to the dollar.

(Continued on Page 8)



President Carlos Andres Perez

eastern Venezuela in 1925, the AD standard-bearer has been attacked by critics as being a dour and dull product of the party machinery. Thus far during the campaign, however, Mr. Pérez has stressed that he will choose the most qualified individuals to serve in his government, regardless of party affiliation.

Representing Copei is a long-time party member, Sen. Luis Herrera Campins, also born in 1925. Mr. Herrera's enemies charge that he lacks high-level government experience, which is correct, and is therefore not prepared to assume the presidency. Sen. Herrera, who has lived in France and Italy and has worked extensively with Social Christian parties overseas, discards this allegation. For several months last year he was leading the AD candidate in national polls. Recent polls, however, have given Mr. Pérez an advantage over the Copei contender. But with six months to go before voting time, there is still plenty of space for each candidate to carve out a more substantial position.

The Unaffiliated

In terms of party organization, AD holds the advantage with a registered active membership of about 1.5 million persons and an efficient national party network. Copei's active membership is estimated to be between 600,000 and 800,000 and the party is working hard to re-vamp its national system. However, most of the six million Venezuelans eligible to vote this year consider themselves independents, many of them youths voting for the first time. An effective appeal to this large group of unaffiliated electors could swing the results in either direction.

Both candidates have been traveling widely around the country and working long hours on the campaign trail. Although neither of the two "established" parties has as yet presented a formal platform, both contenders have outlined their proposed government programs on many occasions.

Mr. Pérez, although previously critical of the current president's efforts in some areas, pledges a continuation of the present Democratic Action government plans, with particular emphasis on resolving domestic problems such as crime, shortages of food and housing, agricultural insufficiencies and on mounting a crackdown on corruption in government.

Sen. Herrera, who also offers voters a comprehensive plan of

public works, has fiercely attacked the present AD regime for spending more money than any government in history, while failing to resolve major national problems. He has cited the almost monthly "crises" afflicting the administration of President Pérez, such as severe water shortages in the capital and other large cities, power shortages, a lack of foods like milk, eggs, meat, chicken and coffee, higher prices of other public services.

Problems

The AD campaign has received an important boost from President Pérez, who recently initiated a major public program calling attention to the achievements of his administration. Mr. Pérez took office in 1974, just in time to reap the benefits of the petroleum bonanza. Although incumbent chief executives are expected to remain outside ongoing political frays, it is clear that the Pérez administration's publicity will not hurt AD's chances in December. Responding to charges of foul play from the opposition, Mr. Pérez maintains that he will not take part in the campaign but will continue to do his job as president.

In spite of the great financial advantages enjoyed by the Pérez administration, the government has indeed been plagued by problems resulting from its own erroneous judgments and inefficiencies as well as from the difficulties presented by a massive surge in national demand for goods and services that began in 1974 and that could not be met by domestic productive capacity. Even unprecedented official spending could not fill all the gaps.

As many critics note, the president's admirable taste for hard work has produced relatively meager results. The problem, they say, is that Mr. Pérez is too much of an authoritarian, too convinced that he can and should attend to all matters by himself. One former Cabinet minister said privately, "I think his biggest failure is his inability to develop good managers at the Cabinet level, ministers who can make sure that things get done. No matter how smart or energetic the president is, he simply can't do everything by himself. He must learn to delegate authority."

Nonetheless, Mr. Pérez's place in history is assured as a result of his government's successful nationalization of the \$5-billion foreign-owned petroleum industry, and his

(Continued on Page 9)



Low-cost apartments tower above Caracas slum. (Story on Page 7)

Strict Government Policies Keep Foreign Investment Low . . .

CARACAS (IHT)—Foreign investment in Venezuela, which entered the country at an estimated rate of \$100-\$200 million per year in the late 1960s and early 1970s, has shown a considerable slump since 1974. Private sector estimates put capital influx over the past four years at an average of \$50 million per annum.

Although hosts of potential new investors have been attracted by the country's rapid economic growth since oil prices rose in 1974, enthusiasm has cooled rapidly on exposure to the government's strict policies regulating foreign capital.

Even foreign investors already working in the country have often been reluctant—or unable—to put new money into their enterprises.

Upon taking office in 1974, President Carlos Andres Perez's administration assumed a serious attitude toward regulations on foreign capital drawn up by the Andean Common Market, a regional integration association made up of Bolivia, Colombia, Ecuador, Peru and Venezuela. Under terms of the Andean Pact's Decision 24, restrictions are placed on foreign investment, private borrowing from abroad, and technology transfers. All new foreign investment must be approved by the government (in this case the Superintendence of Foreign Investment—SIEEX), and foreign capital outlays are either banned in certain economic areas or restricted to minority holdings.

Cooperation Basis

In a speech in 1975, President Perez made the following comment:

"Foreign investors who wish to continue profiting from our economy will have to operate on the basis of cooperation, understanding and accepting the rules of the game formulated; sharing the burdens and fulfilling the requirements of national development."

The Perez government's attitude was not xenophobic nor was it overtly opposed to new investment. On the contrary, Venezuelan leaders realized that they needed a constant flow of new foreign technology to complement their own internal development. But the president and his advisers believed that foreign capital had caused distortions in underdeveloped economies in the past, due to the fact that it was generally unregulated and often did not conform to developmental priorities set by governments in the

countries where investments were made. At the same time, the Perez administration saw the Andean Common Market's code on foreign investment as a convenient vehicle for setting guidelines in Venezuela and furthering the cause of regional economic integration.

It should not be forgotten, however, that the newly installed Perez government, feeling flush because of its unprecedented influx of petroleum riches in 1974, also felt that foreign investment simply was not needed as much as before, now that the Venezuelan state had ac-

cess in seemingly limitless amounts of money from its petroleum spoils. "The theory seems to have been," one foreign businessman said, "that the government could squeeze foreign investors as never before, getting them to toe the official line whether they liked it or not. After all, a lot of foreign businesses were drooling to get a piece of the action after the oil bonanza began, and the Venezuelans knew they could afford to wait."

These elements, combined with the seemingly endless red tape and mountains of regulations produced

by SIEEX, created an atmosphere that kept away a large number of non-Venezuelans who otherwise might have invested here, thus satisfying domestic market needs, creating new jobs and aiding the country's currently ailing balance of payments.

Inna Pate, a U.S. citizen who serves as a consultant to foreign investors in the Venezuelan capital, commented: "The country has lost not considerably by discouraging foreign investment. Given the country's excellent economic circumstances over the last four years,

Venezuela has probably lost around \$200 to \$500 million a year in new investment, plus there has been no new inflow of technology."

Nationalizations

Visitors often question the government's nationalization of foreign oil companies and iron-ore mining companies here in 1975 and

1976, asking whether these takeovers signify a basic negative attitude toward foreign investors. The questions of oil and iron ore are another matter, however. The government, after deciding it would assume control over these basic industries to ensure its own future development, held lengthy negotiations with the affected companies and paid indemnities totaling about \$1.14 billion to the concerns involved. In both cases, the takeovers were carried out in a businesslike manner (even though the nationalized firms were obviously

not delighted by the move), and the parent companies continued to provide Venezuelans with technical assistance after the transitions.

One incident last year, however, did leave a bitter taste in the mouths of many foreigners. Following the kidnapping of the manager of Owens-Illinois de Venezuela, a U.S. glass manufacturing firm, the government expropriated Owens' assets here. The move was prompted by the U.S. firm's efforts to negotiate with Venezuelan terrorists holding a U.S. citizen, William Neihous. Administration offi-

cials stated that government policy forbade negotiating with extremists in cases such as this and moved to take over the company.

In terms of foreign investment policy, the Perez government maintains that it is eager to permit new capital to enter the country, as long as investment regulations are followed. (Ironically, other members of the Andean Pact have been considerably less stringent in enforcing these rules.) In fact, the government has shown signs of easing its requirements. Over the past year or so, SIEEX has raised the limit on profit remittance from 14 to 20 percent, lifted the ceiling on reinvestment from 5 to 7 percent, eased some credit facilities and opened new areas to foreign participation.

Increase

Last year, SIEEX's authorizations for new foreign investments totaled \$216.5 million, a significant increase from \$50.8 million in 1976 and \$40.9 million the year before.

Switzerland took the largest bite of this total with 52.6 percent (Alusuisse will build an alumina plant in the Guyana industrial region), while the Spanish came in second with 27 percent (Spanish firms won contracts for building shipyards and a plant for diesel engines and heavy trucks).

The United States, which accounts for 56 percent of all foreign investment here, only took 10.6 percent of last year's figure.

With around 2,000 foreign firms and investors (some of whom are individuals with small holdings) and with registered foreign investment estimated by the government to be at \$1.5 billion, Venezuela still ranks as an important target for foreign capital. Before current or future investors increase their stakes in the country, however, they want to see investment regulations relaxed, simplified and made consistent.

The Venezuelans have watched a lot of foreign money go to other parts of Latin America recently, and up to now it hasn't mattered to the government all that much," one U.S. executive said. "In their early years they had more money than they could spend. Now things are getting tight, and the next government will be facing a totally different panorama. I think most of us are just waiting it out, hoping that the next administration takes a less rigid attitude."

J.M.

...While Putting a Liquidity Squeeze on Banks

By Keith Grant

CARACAS (IHT)—Venezuela's

generally thriving banking and financial system has in the last year or so unexpectedly found itself face to face with a government determined to redirect credit towards socially desirable projects.

A sky-is-the-limit attitude prevailed following the oil price hikes, which enabled outstanding bank credits to jump from 13.2 billion bolivars (\$3.07 billion) at the end of 1973 to 47 billion bolivars by February 1978. But the bank's liquidity has been a two-sided coin: Although more money has been made available for industry and agriculture, it has helped fuel chronic real estate inflation and a huge consumer spending spree.

The government first took steps to curb money supply growth, and thereby inflation, with an economic package in April 1976. Legal reserve requirements on banks were reduced to 50 percent on official deposits; and, at the same time, credit granted by the 13 mortgage banks (*bancos hipotecarios*) and 30 finance companies (*sociedades financieras*) was redirected so as to encourage more lower and middle-income housing.

The 12 months following proved that the dose of austerity was relaxing the measures because they had had the desired effect, and certainly monetary liquidity was held at 58 billion bolivars for four months and inflation was checked. Nonetheless, the bank's main unhappy this year over liquidity levels and once again the central bank has expanded rediscount facilities and also agreed to forgo the last percentage increment in banks' le-

gal reserve requirement. To ensure that funds keep flowing to private construction, it has also taken steps to support the market for mortgage and financial bonds, which are a principal source of finance for these institutions.

The apparent upheaval caused by the government measures, according to many bankers here, reflects an unwillingness to adapt among the top banking hierarchy. Despite having seen their combined deposits shoot up from 16.7 billion bolivars at end 1973 to 54.6 billion bolivars at end of January, the 35 commercial banks are generally conservative and relatively unsophisticated. "As long as profits seem to be coming in (and last year they rose from 666 million bolivars to 757 million bolivars) no reason is seen for diversifying operations," one foreign financier commented.

Venezuelan banks are dominated by a group of five or so—Banco Nacional de Descuento, Banco de Venezuela, Banco Union, Banco Mercantil y Agricola and Banco Latino—which account for about half of combined deposits. Housing and construction loans are normally handled by mortgage banks and finance companies, the second of which also grant longer term industrial loans (5 to 15 years). Bank deposit and lending rates are both fixed by law, which means normal market forces of supply and demand do not affect, nor are they affected by, interest rate consideration.

According to some bankers here, the lack of a substantial money market to channel funds from liquid sources to non-liquid ones was

one reason for the liquidity crisis last year. Nonetheless, an embryonic money market along the lines of North American and European financial centers has come into being with a number of banks and finance companies setting up money desks. About a dozen have been set up in the last three or four years dealing exclusively in short-term money and paper, making a commission for trading on behalf of clients in corporate or financial organizations. Volume is estimated at some \$200 million a week. But few people even in the financial world here seem to understand what they are offering and some, indeed, appear to have been set up merely as status symbols, according to Juan Rada, manager of the Sociedad Financiera Union, money desk.

The local capital market, despite efforts to widen its base, is at present of little interest to the wider investing public and the Caracas Stock Exchange itself turns over a minuscule \$250 million a year. The capital markets law of 1975, which gives tax incentives to companies that offer at least 50 percent of their stock to the public, has so far had only limited success in attracting either companies or small investors to the stock market.

In Drosses

Soon after oil prices quadrupled and the Venezuelan Investment Fund was created to invest surplus petrodollars abroad, foreign financiers came in droves to advise on how to invest the windfall or how to set up an offshore investment

center to rival Panama. They were disappointed because the government decided instead to concentrate on channelling most of the wealth to national development programs. Apart from a few isolated bond issues here for the Banco de Peru and the Banco Centro Americano de Integración Económica, which were of a regional cooperation nature, Caracas has not become an international financial center in the full sense.

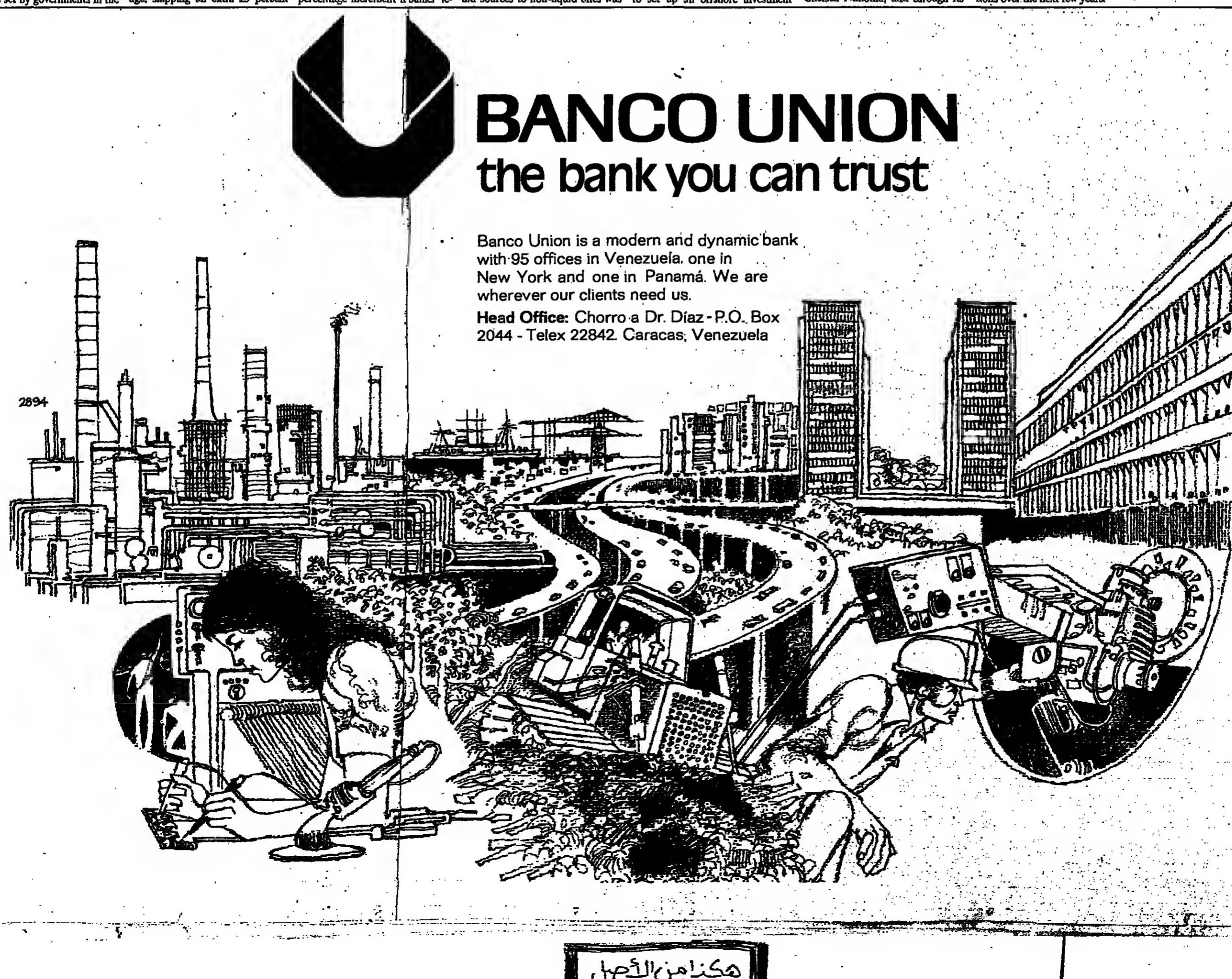
Nonetheless, some 85 international banks from the United States, Europe and Japan have representative offices here doing good business in lending short-term to the government and private sector. Foreign banks are limited, however, by the 1975 banking law, which restricts their participation to 20 percent in any local institution offering full banking services. This left already existing banks like First National City Bank, Chase Manhattan, Credit Lyonnais, Royal Bank of Canada, Lloyds Bank and others with the choice of full control with less scope or vice-versa. All except Citibank opted for the latter and have in any case retained significant influence in the policy of the "host" bank (Chase's in Banco Mercantil, Credit Lyonnais in Banco Provincial, Royal Bank in Banco Royal and Lloyds in Banco del Centro Consolidado).

Meanwhile, some local banks have begun to look for opportunities abroad, notably Banco Union, Banco Mercantil, Banco Latino and Banco del Centro Consolidado. Banco Union last year bought a struggling New York bank, the Chelsea National, and through its

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Tourism: Something to Offer but Lacking in Infrastructure

CARACAS (IHT)—A country with a warm, sunny climate, hundreds of miles of beaches along the Caribbean, snow-capped mountains in the Andes dotted with picturesque villages and wild hut accessible South American jungles certainly has something to offer foreign tourists. Venezuela has all these elements—and more—but in

recent years has done next to nothing to encourage international tourism.

At a time when Latin American and Caribbean countries are competing as never before for leisure trade from the United States and Europe, Venezuela has virtually ignored the potential benefits of international tourism. Since the pe-

roleum boom began here in 1974, the country's leaders have generally believed that luring tourist dollars, marks, francs and pounds to Venezuela was not terribly important. Instead, the government of President Carlos Andres Perez has concentrated its outlays for tourism on projects such as improved beaches and bathhouse facilities, and low-

cost resort areas and hotels strictly intended for domestic tourism.

The results of this policy are painfully apparent to international travelers coming to Venezuela. The country's principal airport—called either Maiquetia or Simon Bolivar—becomes a study in chaos whenever more than two international arrivals or departures occur at the same hour.

Fights, shouting matches and exchanges of insults in Spanish and English are hardly uncommon as passengers desperately try to hold their places in the disorganized queues that form around airline ticket counters. During peak travel seasons, international and domestic flights are frequently overbooked and national airlines have become notorious for late arrivals, mysteriously canceled flights and early departures that leave passengers stranded in the Venezuelan out-

back.

Better hotels in all the major cities are hopelessly overbooked almost year-round. Many visitors to Caracas—whether businessmen or tourists—are greeted at hotel reception desks by surly employees who claim that their confirmed reservations never existed and that lodgings will not be available for several days.

Although Caracas is located in a spectacular valley about 3,000 feet above sea level, its traffic jams are hellish and its areas of tourist interest limited. (Probably the most popular tourist attraction—a cable car from Caracas to the top of Pico Avila 7,020 feet above sea level—has been out of order since last year and is not expected to be in operation again until the end of 1979.) While many examples of delightful Spanish colonial architecture are still standing outside the capital, Caracas' city fathers have permitted uncontrolled urban sprawl, which has wiped out most of the city's colonial zones and replaced them with glass and concrete office towers and high-rise apartment buildings.

Right Conditions

Tourism promoters and hotel executives, however, see good possibilities for developing a profitable tourist industry in Venezuela, given the right conditions. "We have a lot to offer the leisure traveler," a young executive at the Hotel

—J.M.



Cable car from the city of Merida to the top of Pico Espejo, 4,836 meters above sea level.

Agricultural Records Vaunted

CARACAS (IHT)—"Last year our farmers broke all the records," announced the huge, double-page advertisements that appeared recently in the Venezuelan press. "In more than 20 products, the 1977 harvests were the highest volume in our entire history... The new agricultural Venezuela is moving ahead."

These costly advertisements, paid for by the government and displayed prominently all over the country, also carried a photograph of President Carlos Andres Perez and a list of the impressive 1977 crop results in grains, vegetables, fruits, poultry and pork.

Despite nagging problems in boosting output of beef and other products, last year's excellent crop results are of particular significance to the government. The Perez administration has placed heavy emphasis on agriculture ever since taking office in March 1974, and has pledged to reform the country's agricultural system. Since that year, the government has spent an unparalleled sum of money, 19.7 billion bolivars (\$4.6 billion), on agriculture in an attempt to make the country self-sufficient in several widely used foods, as well as to breathe new life into neglected rural areas and convince businesses to invest in agricultural projects. This figure does not include other expenditures made for public works, subsidies, tax relief and other incentives offered by the Perez administration.

The numerous official initiatives in agriculture include extending billions of bolivars in low-interest credits for large and small farms and ranches, and to other agribusiness enterprises; wiping out over 1.6 billion bolivars in agricultural debt; setting minimum, guaranteed prices for producers, and building a

wide range of public works directed at aiding farmers, such as rural roads and highways, silos, irrigation systems and flood control projects.

The government has also declared earnings on agriculture and agribusiness activities tax free, offered incentives on imported agricultural hardware, sold seeds, fertilizers and breeding cattle at subsidized prices—often on credit.

These measures, however, have produced mixed results. Crop yields were indeed impressive last year in a number of areas, but during the same period food imports were the highest in history, due to a very bad harvest in 1976 caused by flooding and drought. Farmers consistently grumble about low prices for their products—a result of government price controls on many popular foods—and say that price increases authorized over the past few years have been insufficient to keep up with their costs.

Part of the billions of bolivars in agricultural credits and incentives has been sidetracked as individuals qualifying for low-interest loans invested the money in real estate or other sectors where the return is better. Recently introduced technology has undoubtedly aided farmers in many regions, but parts of the country still suffer from severe flooding or drought, which have yet to be brought under control. Uncoordinated government extension programs often do not reach farmers with solutions for plant or animal disease when they are needed, and landowners complain about constant, acute shortages of agricultural workers.

One particularly difficult problem is the race between production and consumption rates. With a per capita income of about \$2,000 (the highest in Latin America) and a

population growing by around 3 percent per year, domestic food demand has been increasing rapidly. Much of the increased buying power attained by Venezuela in recent years has been channeled to food purchases; even poor Venezuelans are now eating—if not better—at least more than before.

In spite of last year's good harvest, food imports, especially of beef, wheat and other popular food items, will clearly continue.

As 1978 is an election year, it is hardly likely that the government will allow shortages of popular food items to go unnoticed, regardless of the cost to the Treasury.

At present, it is hard to say how well the government's agricultural program is progressing. Are improvements in production due to real increases in efficiency that will provide long-term results, or simply due to the sheer volume of government funds being poured into the sector? President Perez has admitted that his government's agricultural plans have suffered some setbacks, but he pointed to last year's harvest figures and predicted that the real benefits of his administration's efforts would be visible only after he left office.

There have been some successes, some dismal failures, a great deal of wasted money and energy, slow starts and the unpredictable difficulties posed by the bugbear of all farmers—bad weather. But huge expenditures have been made in infrastructure, agricultural credit and other areas that will clearly benefit Venezuelan farmers and cattlemen. If Venezuela's food import bills shrink during the early 1980s, then members of the Perez government can boast that their efforts were not inconsequential.

—J.M.

Tamanaco said. "But a tourist infrastructure has to be built before we can begin promoting Venezuela seriously."

"The main problem is that the government hasn't taken the tourist trade seriously up to now. Very few international grade hotels have been built during the last few years, and these are not sufficient to satisfy demand," he added. "And most of the projects being done by the private sector are aimed at Venezuelans who want a second house in the country or a beach club."

According to government figures, 997,783 persons visited Venezuela last year. Of these, 652,423 were tourists. 307,069 came on cruise ships that stop here for no more than 48 hours and 38,291 were passengers in transit to other points.

A hefty proportion of the tourist category includes businessmen who come to Venezuela for a short period of time and opt not to cut through the red tape required in obtaining a transient or resident visa, and immigrants who hope to obtain work permits either through legal or illegal means.

The owner of tourists has been steadily on the rise since 1970, but little has been done in recent years to accommodate the increasing numbers of visitors. During the boom days of 1974-75, when Venezuela's leaders were deciding how to spend billions of bolivars in new revenues, tourism was assigned a very low priority. Government thinking was essentially that emphasis should be placed on industrial and agricultural development.

While international tourism provided significant foreign-exchange income for over neighboring countries, Venezuela did not at the time need more revenue. And some politicians did not want to "ruin" parts of Venezuela by attracting an excess quantity of foreigners as other countries had done.

Obviously, some countries have overcome tourism developments. The Hotel Tamanaco executive asserted, "At this kind of thing can be done intelligently so as not to damage the environment. The government seems to be forgetting that a well-developed tourist industry not only brings in foreign exchange, but also provides thousands of service jobs for untrained workers."

We don't have the colonial charm or ruins that Mexico and Peru can offer," he said. However, Venezuela has its own strengths and natural attractions. In addition, the capital is only four and a half hours from New York. "Take the beaches, for example. This would be a logical place for Americans to visit in the winter. But the best beaches are miles away from Caracas and there aren't many good hotels available to foreign tourists."

Caracas itself will also be a key problem for travel agents in sight for tourists, it is unlikely that basic problems like overcrowded hotels and limited tourist facilities outside the capital will be overcome in the near future. Plans are now being made for new hotels and expansions in a number of areas, but these new rooms will not be sufficient to fill even current needs, according to tourism specialists. At the same time, the government is pushing to open a giant, new air terminal for Caracas alongside existing facilities. Whether this will

ease travelers' pains or not remains to be seen.

One major problem, according to local representatives of foreign lines, is the Venezuelan government's reluctance to permit foreign carriers to add sufficient additional flights during peak travel seasons. The government airline, Viasa, wants to claim as much of the traffic for itself as it can. They're trying to handle too much and are just not able to do it.

"The best beaches are miles away from Caracas and there aren't many good hotels available to foreign tourists."

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fondo de inversiones de venezuela

Origin and History of the Fund

The Venezuelan Investment Fund—FIV—was created by Decree-Law No. 151 of 11th June 1974, and was amended by Decree-Law No. 748 of 11th February 1975. The following were established as its objectives:

- to ensure that all the considerable additional tax revenue derived from the rising price of oil on the international market is prevented from suddenly boosting the money supply and thus increasing inflationary pressures, and to keep resources available for Venezuela's development which could be used to improve the investment capacity of the country;
 - to invest funds abroad which are not of immediate use in Venezuela, trying to obtain a satisfactory return;
 - to try to ensure the funds invested in the country contributes to the accelerated diversification of national production by making various types of investments. This made it necessary to ensure that the majority of foreign investments could be easily realized, so that they could be returned without difficulty whenever required for use in priority development areas. The Fund would furthermore have to hold part of its assets in immediately realizable placings to provide a buffer as a means for foreign payments and for tax purposes, should any unforeseen factors arise which might affect the inflow of revenue;
 - to channel funds in accordance with a coherent investment policy, capable of stimulating economic growth. The objectives of such a policy comprise the diversification of production, technological independence, redistribution of income and full employment; and
 - to develop an active policy of international financial co-operation with developing countries, particularly those in Central America, the Caribbean and the Andean Region, aimed at accelerating their economic development, exploiting their natural resources, stimulating economic integration and fostering a new and more equitable international economic situation.
- At 31st December 1977, the assets of the FIV totalled Bs 29,373 million, originating from the following sources:

| | Millions of US\$ |
|--|------------------|
| National Executive cash contributions | 5,331 |
| Interest earned from national and international transactions | 1,330 |
| Dividends from company shareholdings | 50 |
| National Executive contributions of capital goods | 102 |
| | 8,883 |

The following are the main projects which are currently being undertaken with financial aid from the VENEZUELAN INVESTMENT FUND.

01 Basic Industries

1.1 SIDERURGICA DEL ORINOCO (SICOR) PLAN 4
Objectives: The FIV is providing financial aid for the execution of Plan 4 to increase steel production from 1.5 to 5 million tonnes. Financing: Up to \$31,127.77, US\$885,730,928.00 as a loan, US\$422,334,589.00 in the form of equity investment share. This project, which is currently in progress, has provided the FIV with interest on loans amounting to US\$92,294,270.82 and with dividends on preference shares amounting to US\$10,578,974.

1.2 ACERIA ELECTRICA DEL CARONI S.A. (ACELCAR)
Objectives: The construction of a plant with a capacity of 480,000 tonnes of liquid steel for manufacturing semi-finished and finished steel products (ingots, billets, bars and wire) to be used by the mechanical engineering, automotive, oil and other industries.
Financing: Loan of US\$69,889,341.87.
Work is presently being carried out on the basic engineering for this project.

1.3 ALUMINIO DEL CARONI S.A. (ALCASA) STAGE IV
Objectives: To increase aluminum production from 54,000 tonnes a year to 120,000 tonnes.

Financing: The FIV is financing this project to the amount of US\$69,889,341.87.
At the present time, 20 units included in the Stage IV extension of this project are in operation, and work is being completed on erecting and building the dust collection and furnace control system.

1.4 C.A. VENEZOLANA DE ALUMINIO (VENALUM)
Objectives: The construction of a plant to produce 280,000 tonnes a year of primary aluminum to achieve a total output of 400,000 tonnes a year.
Financing: The FIV is providing a loan of US\$302,853,814.70 and an equity investment of US\$105,404,775.70.
Construction of the plant is currently at an intensive stage, and the first 20 units of Bay 1 will be put into service next May.

1.5 INTERALUMINIA Y ASOCIADOS
Objectives: The supply of alumina to the Alcasa and Venalum aluminum plants, which will require 650,000 tonnes p.a. of a total output of 1 million tonnes p.a.
Financing: The FIV will hold an equity investment share of US\$17.2 million.
The project is currently in the basic and detailed engineering stage.

02 Shipbuilding
2.1 CORPORACION VENEZOLANA DE LA INDUSTRIAL NAVAL C.A. (COVINCA-ASTRAVE)
Objectives: Development of the ship repair and building yard.
Financing: The FIV will make an investment of US\$21,141,525.81. The company was incorporated in October 1977.

2.2 DIOQUES Y ASTILLEROS NACIONALES C.A. (CIANCA, STAGE II)
Objectives: Repair, maintenance, conversion and building of ships and aircraft.
Financing: The FIV has an equity investment share of US\$32.6 million.
The civil engineering work and the fitting of synchro-lift equipment have been completed.

03 Cement Industry
CENTRO CARIBE C.A., CEMENTO CATATUMBO C.A., CEMENTOS ANTONIOS C.A.
Objectives: To increase production of cement to meet the requirements of the domestic market.
Financing: The FIV has approved a total loan granted through the CVF amounting to US\$76,295,984.88.
The construction and engineering work is currently in progress.

04 Electricity
4.1 ELECTRIFICACION DEL CARONI C.A. (EDELCA)
Objectives: To extend the present Guri dam by 64 metres and to raise the existing spillway.
Financing: The FIV holds an equity investment of US\$206,126,855.50 and has provided a loan of US\$133,954,671.90.
The extension work is currently in progress, and contracts have been signed for the purchase of 10 turbines and 10 boilers.

4.2 COMPAÑIA ANONIMA DE ADMINISTRACION Y FOMENTO ELECTRICO (CACAFE)
Objectives: Expansion of Cadabe by building the Planta Centro thermoelectric station.
Financing: The FIV is investing US\$465,828,845.80 in the form of loans and equity capital.
Commissioning of the two generating units is planned for the end of 1978.

In addition, the FIV holds 96.7% of the shares in ENELBAR, which is the electricity generating company for the State of Lara, and, furthermore, it has a shareholding in the expansion of ENELVEN, which generates electricity for the State of Zulia.

05 Transport Industry
5.1 FLOTA MERCANTE C.A.V.N.
Objectives: Expansion and renewal of the fleet by purchasing 10 new vessels at an approximate cost of US\$223.8 million.
Financing: The FIV has an equity investment of US\$93.2 million.

The Guri Dam currently being extended by 64 metres.

The C.A.V.N. has now taken delivery of 8 of the ships on order. The remaining two will be delivered this year.

5.2 CORPORACION VENEZOLANA DE INDUSTRIAS AERONAUTICA (CORPAVENCA)

Objectives: Promotion, creation and development of companies involved with Venezuelan aviation.

Financing: The FIV has an equity shareholding of US\$2.33 million. A company called VENEMAICA has already been formed and is actively engaged in rebuilding engines.

06 Storage

6.1 NATIONAL SILO PROGRAMME, STAGES I AND II

Objectives: Increase in storage capacity for cereals, leguminous and oleaginous products to 440,000 tonnes. This project is being carried out in two stages.

Financing: The FIV is providing a total loan for the two stages of US\$68,577,926.81.

The first stage has been completed, and the 9 stations included in it are now ready to receive grain. The second stage is 95% finished and is expected to be put into service this year. The FIV has received two repayments of the loan for the first stage and one repayment of the loan for the second stage.

07 Mining

7.1 COMPAÑIA GENERAL DE MINERIA DE VENEZUELA C.A. (MINERVEN)

Objectives: Exploitation of the Colombia gold mine in the State of Bolivar to attain an average monthly output of 42 kg of gold.

Financing: The FIV has an equity investment of US\$123,179,965.00 (amounting to 99.5% of the total share capital) and has provided a loan of US\$4,381,579.

Projects currently in progress are the Minerven I line, the Treatment Plant, infrastructure works and the Electrochemical Unit.

7.2 VENORCA

Objectives: Processing gold ore extracted at El Ojito.

Financing: The FIV has so far paid US\$582,411.0. The company is now in operation, and in 1977 processed 57,511 tonnes of gold ore.

Other projects under consideration

Anumber of basic industry projects have been submitted for the consideration of the FIV, and decisions will have to be made in the coming years. Such projects include the following:

The Zulia Steel

Ambitious Projects Map Industrial Future Beyond Petroleum

CIUDAD GUAYANA (IHT)—If Venezuela has an industrial future beyond petroleum, the country's traditional source of wealth, this future is now taking shape on the plains around this oppressively hot city in the sparsely populated northeast.

Ciudad Guayana, a boom city on either side of the Orinoco river, takes its name from the region where it is located—the Venezuelan Guayana.

Guayana, which encompasses half of Venezuela's national territory, is a region rich in natural resources such as high-grade iron ore and bauxite, petroleum, gold, diamonds and a staggering potential for hydroelectric power.

The projects in heavy industry being carried out here by the Corporación Venezolana de Guayana (CVG), an immense government development agency responsible for the entire region, are among the most ambitious in all of Latin America. A giant steel mill, aluminum factories that will place Venezuela among the world's largest producers of the metal, a hydroelectric dam ranking among the largest anywhere and a slew of other public and private projects share the dual purpose of establishing a diversified industrial complex for Venezuela and attenuating the nation's traditional dependence on petroleum and imports from the developed world.

The principal Guayana projects and associated infrastructure are expected to cost about 50 billion bolivars (\$11.6 billion) between 1975 and 1980 and even more down the line. They represent the biggest single block of government investment in Venezuela's history, will absorb a preponderate share of the nation's petroleum revenues and will require additional financing from overseas.

If the Guayana experiment proves to be only mildly successful, it will provide tens of thousands of new jobs, save billions of bolivars on imported materials and constitute a great step toward industrialization for this country of 13 million. However, if the Guayana investments, on the whole, turn out to be only slightly unprofitable, the consequences for the national economy could be disastrous. At present, Guayana is in its initial stage of development.

What are the major projects now under way?

The government's master blueprint for developing the Guayana complex, contained in the fifth National Plan for Economic and Social Development, sets out plans for the expansion of existing steel and aluminum facilities, construction of a giant aluminum plant and a factory for producing alumina, enlarging the Guri Hydroelectric complex, expanding the productive capacity of the government's iron-ore mines, building a railroad to connect Ciudad Guayana with central Venezuela and the Caribbean, exploitation of recently discovered bauxite deposits, and a spate of other projects ranging from a tractor factory to a man-made forest of 180,000 Caribbean pines.

State planners expect these developments to generate 56,700 jobs in the Guayana region alone, and Ciudad Guayana is already straining to accommodate the tens of thousands of construction workers, engineers, planners, technicians and outside consultants who have come to the area in recent years. With an annual growth rate now calculated at 11.7 percent, Ciudad Guayana's population will soar from 226,000 in 1976 to some 400,000 by 1980.

New Steel Plant

One of the country's highest-priority industrial projects is the expansion of the state-owned steel manufacturing company in Ciudad Guayana, Siderúrgica del Orinoco, C.A., known by its Spanish initials as Sidor. Sidor currently operates one facility with a capacity of 1.2 million metric tons of liquid steel per annum, and employs a labor force of 12,500. Expansion plans involve the erection of a new plant alongside the old factory, which will raise the company's total liquid steel output to nearly 5 million metric tons per year. Total projected cost for the Sidor expansion has been set at 15.2 billion bolivars, of which 8.4 billion bolivars have already been invested. Local economic analysts, however, expect cost overruns to vary between 10 and 30 percent.

The new Sidor plant will utilize a rect reduction system, electric arc furnaces and continuous casting. In interview, the president of Sidor, Igmar Marshall, noted that the use of this system rather than blast furnaces with oxygen converters runs that the Ciudad Guayana works will not be dependent upon imported coke and can therefore entirely be self-sufficient. The plant will process iron ore brought from nearby deposits into pellets, using electricity supplied by the Guri system and water from the Orinoco river. The Sidor executive, who has degrees in mechanical engineering from Columbia University, New York, and the Universidad Central de Venezuela, noted that 10,000 million bolivars will be spent on pollution-control equipment at the new installation.

With some 13,000 construction workers currently employed on its expansion—called Plan IV—work is reported to be ahead on schedule. In a recent interview with a Caracas newspaper, however, the steel company president said that there had been a six-month delay on the pellet plant, a key element in the steelworks and the first unit begun under the plan. He attributed the slowdown principally to a scarcity of construction materials. Mr. Marshall added, though, that construction of the other components in the giant steel complex "is being carried out within the time limits set in each contract."

In contrast, Sidor's older facilities—those which are currently producing steel for the national market—have experienced substantial difficulties. A recent press report cited steel industry sources as saying that the state company accumulated losses of around 400 million bolivars last year, a poor indicator after several years of modest but promising profits from the firm.

A spokesman for the company confirmed that Sidor was in the red in 1977, but called the 400-million bolivar figure "exaggerated."

Local analysts say that although Sidor is undoubtedly a sound na-

tional project, the government must overcome numerous problems in technical, service and specialized manpower areas if Plan IV is to be a success.

Electrificación del Caroni, C.A. (Edeca), is another state-owned company responsible for carrying out one of the key projects in Guayana. Edeca now administers the Guri Hydroelectric complex on the Caroni River that was started in 1963. It will spend over 10.5 billion bolivars on raising the dam's generating capacity from the present level of 1.2 million kilowatts to 9 million kilowatts by the end of the next decade. Enlarging the Guri complex will involve constructing a new dam alongside the present one and adding 10 generating units of 610 megawatts each alongside the smaller units now in operation.

Not only does the Guri supply

hydroelectric power close to the Guayana industrial complex, Venezuelan geologists last year gave clear confirmation to the existence of a vast deposit of bauxite in the same part of the country. CVG experts estimate that the deposit at Los Pijiguas contains a minimum of 508 million tons of bauxite. Plans call for the site to produce three million metric tons a year by 1982, and bauxite ore taken from Los Pijiguas will be shipped by

barges down the Orinoco to Internalumina's dock, where it will be processed into alumina powder.

Another important unit in the

Guayana complex is Ferrominera

Orinoco, C.A., a state-owned enterprise that has managed all facets

of iron-ore extraction in the region since 1976. Ferrominera took over

facilities of U.S. Steel and Bethlehem Steel that were nationalized at the beginning of 1975. Its results so far have been excellent, although

contractions in world steel production have cut the company's foreign exports in recent years. A company official said that Ferrominera produced 12.7 million metric tons of iron ore last year, earning a net profit of 109 million bolivars on sales of just over 1 billion bolivars.

Iron-ore production this year is expected to reach 12 to 13 million tons, but exports will be reduced as Sidor's new installations become operative. Ferrominera will then

devote most of its sales to the state steel manufacturer.

Ferrominera officials point out

that since nationalization of the iron-ore industry, the government has earned 2.2 billion bolivars from iron-ore sales of 49 million metric tons between 1975 and 1977. In contrast, while U.S. companies were running the industry in 1972-74, the Venezuelans received only 1.5 billion bolivars from sales of 65 million metric tons.

J.M.

Aiding Small Business

CARACAS (IHT)—In concurrence with Venezuela's major industrial projects, most of which are government-owned, the administration of President Carlos Andres Perez has made available hundreds of millions of bolivars in low-interest loans to light and medium industry in the private sector, as well as to small businessmen. The government has elaborated a policy of encouraging new and existing industrial plants to set up shop or relocate in rural areas, thus easing conditions in overcrowded industrial zones in the large cities and offering new jobs to rural Venezuelans.

In order to encourage moves to the hinterlands, the government offers tax incentives and long-term credits from variety of sources, such as the Venezuelan Development Corp. (Corporación Venezolana de Fomento), the Industrial Credit Fund (Fondo de Crédito Industrial) and Corpoindustria—the Corporation for the Development of Small and Medium Industry.

Project Applications

Last year, for example, Corpoindustria approved more than 2,300 project applications for small and medium-sized loans totaling 769 million bolivars. Government planners say that these projects, if carried out, will generate more than 11,000 jobs. Projects vary from the purchase of a car to be used as a taxi, to the construction of factories for making plastic products, shoes, textile goods, processed foods or light machinery.

Thousands of Venezuelans have received loans from Corpoindustria in order to buy cars or passenger vans that are used as taxis or *por puestos*. A *por puesto* is a car or van carrying several passengers along a regular route, either within a city or between different parts of the country. They are a popular alternative to the capital's crowded buses and they take their name from the fact that each person pays for his place (*puesto*).

J.M.

Three aluminum projects are currently under way in the Guayana region. Alcasa (Aluminio del Caroni)

is a joint venture between the CVG and Reynolds International.

Working in conjunction with the aluminum plants will be a one million metric ton-per-year alumina factory called Interalumina. This facility, with CVG holding 85 percent equity and the remainder divided equally between the Swiss aluminum manufacturer Alusuisse and Billiton of the Netherlands, a subsidiary of Royal Dutch Shell, will cost around 3 billion bolivars.

It will refine bauxite into white alumina powder that will then be fed to the aluminum producing cells of Alcasa and Venalum. The plant is expected to be in full operation by 1982.

In addition to the fortuitous location of high-grade iron-ore depo-

sits and hydroelectric power close to the Guayana industrial complex, Venezuelan geologists last year gave clear confirmation to the existence of a vast deposit of bauxite in the same part of the country. CVG experts estimate that the deposit at Los Pijiguas contains a minimum of 508 million tons of bauxite. Plans call for the site to produce three million metric tons a year by 1982, and bauxite ore taken from Los Pijiguas will be shipped by

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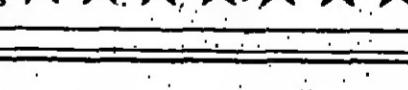
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Stunted Education System Meets Obligations With Difficulty

CARACAS (IHT)—Venezuela's public education system, still in disarray despite massive infusions of government funds since 1974, is currently facing the challenge of providing the country with trained manpower.

A rapidly expanding economy and a slate of complex government programs have created tens of thousands of new jobs requiring various types of formal training. Great pressures are also being generated by a burgeoning student population. Over the past several years Venezuela's public schools, universities and technical institutions have shown themselves incapable of meeting the new obligations of petroleum wealth. The challenges have been enormous for a developing country, and many of the slowdowns and fiascos occurring during the course of the new development plan are directly attributable to a desperate shortage of trained human resources.

While positive steps are being taken to remedy this problem, it remains painfully clear that domestic technical and professional training programs are seriously deficient. Moreover, if today's children are educated in a second or third-rate system, they hardly will be prepared to play a useful role in the new Venezuela.

Official statistics, which put Venezuela's population at around 13 million, indicate that over half the country's inhabitants are under 20 years of age. In the 5-to-14-year-old group alone there are 3.38 million youngsters, or about 26 percent of all Venezuelans. Total student enrollment has jumped from 2.1 million in 1969-70 to 3.5 million for the 1976-77 school year. Of those currently enrolled, about 71 percent are at primary and preschool levels, 27 percent in secondary schools and 7 percent in universities and other institutes for advanced education.

Public education in Venezuela had been stunted for most of this century by dictators who had no interest in developing an educated and potentially disruptive student class. The school system has improved slowly under the democratic governments that have ruled since 1958, yet the nation still lacks schools and qualified teachers in spite of heavy spending aimed at overcoming deficiencies. Existing buildings are often crowded and

run-down, and teachers at lower levels are sadly underprepared. Remuneration for all public school teachers is low in comparison to that for other professions requiring advanced training.

Literacy Rate

Although Venezuela's literacy rate is relatively high in comparison to many developing countries (76 percent for persons over 15 years of age and 95 percent for those in the 10-19 age-group), the dropout rate among primary school children is high. The constitution guarantees free education through the university level, but this ideal is out of reach for most of the nation's poor.

Private education, which last year accounted for 450,000 students out of the nationwide student population of 3.5 million, has not expanded to keep pace with the country's needs. Wealthy families have traditionally educated their offspring in expensive local institutions or at schools abroad, and those who can afford the cost continue to send their children to private schools here.

There are 35 universities and schools for advanced training—teachers' colleges, polytechnical institutes and such—but only five universities are private. State universities have improved in recent years, but standards in many subjects are still far below those of industrialized countries.

At Venezuela's most important university center, the Universidad Central de Venezuela (UCV) in Caracas, facilities are taxed to the limit with over 50,000 students enrolled. The UCV is frequently crippled by strikes, riots or confrontations between students and authorities. A good many teachers work only part-time, dedicating most of their energies to better-paying jobs outside the school. Political parties use the UCV as a training ground for future politicians and actively recruit young party members from the student body.

Many feel that the heavy stress on political activity at the country's largest university has seriously compromised its educational function, and the government has been unable to intervene directly in any positive way. The Perez administration has sought to correct the situation, though, by indirect attacks. It has spent heavily on strengthening

universities other than the UCV, especially in the provinces, and has sought to keep the central university's ravenous appetite for funds under control.

The Perez government's general approach towards public education and the supplying of both public and private sectors with human resources so urgently needed today has taken the shape of a four-pronged program: improving and expanding the public system at all levels; establishing a giant scholarship plan for study here and abroad; widespread technical training through specialized centers, and selective immigration—plus recruitment—aimed at procuring skilled manpower as quickly as possible.

Spending

Spending for education has absorbed an important share of the enlarged national government budget each year since 1974. Last year the sector received a record high of 7.8 billion bolivars (\$1.8 billion, or \$514 per student) as compared to 2.8 billion bolivars in 1973 (\$241 per student). The number of school buildings went from 11,900 in 1973 to 13,000 last year, while the number of teachers during the same period grew from 113,000 to 147,000.

These outlays were obviously helpful, but Venezuela still has a long way to go in placing all of the country's school-age children in adequate facilities and providing them with standard learning materials. Even more important, more and better-trained teachers are urgently needed, but the formation of a highly professional corps of educators will require years.

In order to satisfy dramatically increased demand for the college and graduate-level professional, the government set up an imaginative scholarship plan in 1974 called the Gran Mariscal de Ayacucho Program. The program seeks to give students from lower-income groups an opportunity to receive graduate or undergraduate training here or abroad.

As of last year the government had granted 15,064 Ayacucho scholarships for study in a wide range of subjects, especially the applied sciences, engineering and technical courses. The government, which says that only 13 percent of all scholarship-holders have dropped out, pays for all educa-



Central University of Venezuela. Sports facilities are in the foreground.

tional expenses plus travel costs. About 40 percent of these scholars are studying in Venezuela, while 30 percent are in the United States and 8 percent in Britain. Venezuelans attached to the program are enrolled in universities and technical schools in 31 foreign countries. Last year, 432 million bolivars were spent on the program.

It is difficult to assess the program's effectiveness up to now since relatively few students have completed undergraduate courses.

Some critics say that politics is vitiating the program's effectiveness; that individuals with political connections can easily get scholarships and often use government funds to "take vacations" overseas. The government, though, states that scholarship grants are made solely on the basis of educational potential and financial need, with special attention given to applicants from rural areas.

One foreign diplomat who works closely with the Ayacucho students made the following comment: "Sure there's a lot of waste involved, and people with friends in the government have little trouble finding a grant for their

children. But even if only 10 percent of students in the program benefit from exposure to foreign universities, the country will have come out ahead."

The two other areas of human resources receiving government attention are technical training in the skilled trades and the search for professionals and craftsmen abroad. A government body known as the Instituto Nacional de Cooperación Educativa (INCE) provides classes and on-the-job training to men and women in a range of technical skills required in agriculture, industry, construction and general commerce. In 1977 INCE, which is supported by government outlays plus obligatory payments by private business, gave courses to 448,000 persons in Venezuela and sent 5,000 army recruits to Spain for specialized training. INCE courses cover carpentry, welding, auto mechanics, plumbing, agricultural fields, metalworking, driving and repairing heavy machinery as well as a host of other skilled and semi-skilled jobs now in great demand.

Government agencies in need of particular specialists—for example civil engineers or electricians—sometimes send recruiters to Europe, the United States and other Latin American states in order to find qualified personnel as fast as possible. (In some cases, major government projects have come to a halt because 50 skilled bricklayers or a dozen plumbers could not be found in the country at the right time.)

The Perez administration is also implementing a program of selective immigration in conjunction with the Inter-governmental Committee on European Migrations. Under this plan, the government and the private sector identify critical skills of specific jobs that need to be filled, and applicants are sought abroad. Facilities for interviews, documentation, transport, reception in Venezuela, housing and placement are made available to immigrants. Last year the government's selective immigration commission approved applications for 3,853 foreigners whose skills were needed here.

Even without formal recruiting procedures, foreigners have flock-

to Venezuela in recent years, lured by the country's political stability and boom atmosphere. Thousands of professional and skilled workers have left behind political and economic problems in countries like Chile, Argentina, and Uruguay to come to Venezuela.

Programs to bring free milk and high-protein foods to pregnant women and neonates, and to vaccinate children and adults against a variety of diseases have achieved very good results. The infant mortality rate, which stood at 53 for every 1,000 births in 1973, fell to 42.8 per 1,000 last year, a reduction of more than 19 percent. (The country's overall mortality rate dropped from 6.8 percent in 1973 to 6 percent last year, and the average Venezuelan's life expectancy went from 64.7 years to 66.4 years in the same time.)

Venezuela's social security system, which offers both free health care and old-age and disability pensions to subscribers, now has 3.5 million beneficiaries, up significantly from 2.6 million four years ago. The Perez administration straightened out much of the confusion reigning in the IVSS pension system, and extended benefits to the aged even if they were not formerly listed on social security rolls.

Improvements have undoubtedly been made in the country's health and social welfare system since 1974, but tremendous deficiencies remain. Rural areas are often without doctors and clinics. Municipal hospitals in the large cities offer free service, but are terribly overcrowded and are short of professional help, basic equipment and medications. Social Security pays small cash benefits, and few Venezuelans can live exclusively on old-age or disability checks.

Public health and welfare remain painfully inadequate in Venezuela. Private medical care generally offers the best service available, but costs are as great or greater than in the United States. Only families with middle and upper-middle level incomes can afford treatment in private clinics.

Besides continuing to pump large sums of money into public health, the government has taken some other steps. It has set price controls on most drugs and medicines, attempted to regulate prices for services at private clinics and obliged newly graduated physicians to spend time working in depressed rural areas.

J.M.

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مكتاب من الأصل

For Shantytown Residents, Petroleum Boom Never Arrived

CARACAS (IHT)—For the people living in a shantytown called Caballo del Mocho, Venezuela's petroleum boom has never arrived.

Caballo Del Mocho, which translates into "the Cripple's Horse," is a poverty pocket located on the outskirts of the wealthy, ostentatious capital. Like scores of other slum neighborhoods that house a large share of Caracas' three million inhabitants, this section of the

city bears a picturesque name. Little else in Caballo del Mocho is picturesque.

Families here live in a collection of ramshackle, unpainted houses of wood and tin built over dirt floors. Many of the homes were erected by the families living in them—campesinos who fled rural Venezuelan poverty for the promise of steady work in the capital. Often one sees a small vegetable patch alongside a shack and chickens scratching in the littered yards.

The shanties are spread over several steep hills and are frequently damaged or destroyed by mudslides during the rainy season. During a recent downpour, the tiny dirt road passing through the sector was converted into a river of reddish-brown mud, garbage and human waste.

The barrio—or neighborhood—no sewer system, no telephones,

no mail service, no schools or health centers. Water arrives irregularly, sometimes by tank truck, sometimes through tiny pipes installed by the residents themselves. Electricity reaches several homes through pirate wires hooked up to a main power line that passes nearby.

Garbage is thrown into ravines, where it sometimes accumulates for months, putrefying under the tropical sun.

The sick must travel miles to a

public hospital that is chronically short of beds and professional help, medication, cotton and alcohol. They may stand in line all day waiting to be attended by the overworked staff.

Indigence is not new to Venezuela. But its widespread persistence in this country—often called the Saudi Arabia of Latin America—is all the more striking when one is exposed to the lavish life-styles common to Venezuela's upper income groups.

Not far from the "marginal areas" of Caracas—as the government here calls slums—are giant shopping centers offering a large variety of imported luxury goods. Well-heeled Venezuelans think little of purchasing homes or apartments costing upwards of \$250,000.

In spite of these huge spending programs, though, life has changed only marginally for most of the country's poor. For over three years, Evaristo Vasquez has been living in a complex of government-built plasterboard barracks.

Petare, on the edge of Caracas. He and his family of eight were relocated to this "temporary housing" after the rains washed out their ranch. The Vasquez family has been waiting for a place in a nearby government building, but no one knows when construction will be completed.

"If we're lucky, we'll get a place in the new building," he said. "All of us are waiting here." In Mr. Vasquez's neighborhood, conditions are better than in Caballo del Mocho. The government housing units are drafty, plasterboard affairs built in rows, but they have cement instead of dirt floors and are plugged into a regular power line.

Water trucks and garbage details pass with some regularity and the state runs a small health clinic and school nearby. In addition, the sector is much closer to the center of Caracas, to large food stores, shops

and jobs, and residents therefore are less dependent on the vagaries of public transport.

Mr. Vasquez is in his thirties, earns 33 bolivars a day (\$7.73) at a milk bottling plant and has been able to buy a television, refrigerator, electric fan and other small appliances.

He noted, however, that the one-story complex where he lives has no telephone, no recreation areas for children and only oneouthouse for every 10 families.

Although the government says that dislocated families may receive low-cost apartments on the basis of need and waiting time, opponents of the Perez administration assert that housing assignments are often made through party connections.

Eiba Rincon, a young worker with the Movement Towards Socialism party (MAS) who spends much of her time in the city's slums, said that members of the government party, Democratic Action, almost always receive places at new government housing is completed. People with other party affiliations, she said, have a much harder time in finding new homes.

On the other side of Caracas, in a hillside section of the city called La Vega, the government has made an effort to remodel a slum area instead of bulldozing entire neighborhoods and erecting high-rise apartment houses.

Martin Bilbao, an energetic, 29-year-old architect working on the La Vega project, explained that the government had already remodeled over 600 ranchos out of the approximately 20,000 in the area. The objective was that the community's social fabric would be preserved and improved if families living in the area were offered a refurbished

home in their own, integrated neighborhood setting.

"We go to a rancher and ask the people how many persons are living there, what things do they need in their home," he said. The government agency carrying out the work, in this case the Centro Simon Bolivar, then finds the family temporary lodging, does the necessary work, and returns the home to the family. Each remodeling job costs between \$3,000 and \$17,000, and residents receive the service free of charge.

Approaching La Vega today, a visitor sees row upon row of pale-painted homes with Mediterranean-style facades. The one- and two-story units are covered with attractive stone walls. "Each family is treated as an individual case," Mr. Bilbao said. Besides refurbishing the outside of each home, the government also installs plumbing, lays water and sewer lines, supplies electricity and builds schools, recreation centers and community shopping areas.

Impetus for La Vega's transformation, which was begun by presidential candidate Diego Arias while he was governor of the federal district four years ago, is now waning. The project has drawn fire from politicians within the Perez government for being too flashy and costly. Most Venezuelan leaders prefer the traditional approach of building high-rise units that can accommodate more families.

Although the La Vega plan received considerable attention here at its outset, it is clear it will probably never obtain sufficient funding to make a real dent in the 19,000 slums yet to be remodeled.

J.M.

U.S. Life-Style Invades Native Culture



A folk dancer wearing the mask of a devil.

CARACAS (IHT)—Cultural identity in Venezuela has undergone tremendous changes in the last 30 years. For one thing, the country has experienced a demographic transformation of staggering proportions: a predominantly rural, agricultural society has shifted into the role of an urban, populated nation rapidly moving toward industrialization. While roughly three-quarters of the country's population lived in rural zones during the 1940s and 1950s, only about a quarter of all Venezuelans are now located outside the major cities.

"Almost as important has been the impact of foreign immigrants, waves of Spanish, Italians, Portuguese and others who began coming to Venezuela around the time of World War II. In addition, the criollo population—native Spanish Americans—has swelled with the arrival of newcomers from the rest of South America and the Caribbean, many of them lured to the country by the petroleum boom.

Certainly the most significant cultural shift has occurred as a result of the prevalence of the U.S. life-style on this South American society. Venezuela's proximity to the United States remains the undisputed champion of cultural domination.

In some ways, Venezuela's social structure was far more vulnerable to cultural invasion from the north than other Latin countries. Venezuela lacked the indelible stamp left behind by advanced cultures like the Inca, the Maya and the Aztec in other parts of Latin America.

(In spite of its proximity to the United States and a regular inflow of U.S. tourists, Mexicans by all appearances manage to retain a clearer sense of national identity. Perhaps this is due to their Aztec heritage, a stronger sense of nationalism or simply to abundant tourism posters touting mariachis, ancient churches and tortilla vendors.)

Venezuelans do indeed have their own discrete Latin culture, although first-time visitors would be hard put to identify this. Like all other Spanish-speaking nations, this country possesses its own particular set of words, accents and expressions. Venezuela has produced some excellent novelists, artists, poets. In the last century the country's *Liberator*, Simon Bolívar, not only led Venezuela's revolution against the Spanish Crown, but also carried his spirit and fighting men to several neighboring countries.

The music, dances, foods and customs of Venezuela share elements with other Latin states, but are clearly their own.

In the Venezuelan countryside, one can still see part of a simple, agricultural society relatively untouched by immigration and the invasion of U.S. life-styles. Campesinos, or peasants, wearing khaki workclothes, sandals and battered straw hats lead burros alongside superhighways cutting through the sweltering savanna or the precipitous slopes of the Andes. Their lives generally revolve around an open shack near a small vegetable patch, some scrawny livestock and other enterprises.

Slowly but steadily the lazy, rural personality of Venezuela is being erased. The industrialization of Venezuela—and the modernization of its people—are in motion.

J.M.

In Caracas, though, life is much the same as in any large, modern city of Europe or the United States. New buildings rise on virtually every block of downtown Caracas, pushing aside old, colonial homes with red tile roofs and fancy iron window grates. Everywhere one hears the accents of Italians, Portuguese and Spaniards—immigrants criticized by many Venezuelans but nonetheless accepted because of their almost infinite capacity for hard work. Here and in other cities the sons and daughters of illiterate campesinos learn to perform jobs in auto assembly plants, oil refineries, banks, petrochemical installations and a host of other enterprises.

But the impression of affluence is misleading, for perhaps half the residents of Caracas live in squall ranchos (slum homes) or other substandard housing. The red brick slums that surround the modern city are a constant, painful reminder of Venezuela's unconquered misery.

The problem has been the focus of many government programs, but its sheer magnitude—complicated by continued flight of people from rural to urban communities—dwarfs official efforts. As proprietor of Latin America's largest and most efficient oil industry, the Venezuelan government has earned over \$40 billion between 1974 and the end of 1977, mostly from petroleum exports.

Workers at oil camps in the Venezuelan outback inhabit carefully-groomed villages that resemble seat, little towns that might be found almost anywhere in the United States.

Much to the dismay of some Spanish speakers, English words and Americanisms have become commonplace in Venezuela. A friend is called *broder* (brother), whiskey is *guski*, a factory guard is a *guachiman* (watchman) and a gra-

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Nationalization of Oil Sector Has Been a Resounding Success

(Continued from Page 1)

Petroleo) and the local Mobil subsidiary.

Local subsidiaries of companies that were taken over in 1976, like Exxon, Royal Dutch Shell, Mobil, Gulf, Arco and several others, received aggregate compensation from the government of President Carlos Andres Perez that totaled \$1.2 billion bolivars. Part of this was paid in cash and the remainder in government bonds maturing between 1977 and 1981, with an annual interest rate of 6 percent. Compensation was based on the net book value of the assets of each foreign company, as computed by the government. This figure did not take into account replacement costs, which are estimated to be

...Despite grumbling from some foreign executives, it is quite clear that the international oil companies earned a healthy return on their investments in Venezuela over the years. In fact, nationalization did not mean estrangement between the government and most foreign oil companies.

Venezuelan oil executives, who have managed the giant industry with few hitches, were not new to the job. Most of the industry's top personnel had worked for many years with foreign oil companies and had held responsible posts prior to nationalization. Others joined Petroleos de Venezuela and its affiliates after gaining considerable ex-

perience in the private sector both here and abroad.

Although the foreign companies ousted in 1976 objected to some of the nationalization terms, they generally realized that the actual takeover was the logical culmination of a process begun in the 1940s which gave the state increasing control over the affairs of the industry here.

And despite grumbling from some foreign executives, it is quite clear that the international oil companies earned a healthy return on their investments in Venezuela over the years. In fact, nationalization did not mean estrangement between the government and most foreign oil companies. (Some problems did occur. Occidental Petroleum, for example, has never been

compensated for the 1976 takeover, due to a government investigation into bribes allegedly made by the firm to obtain contracts in Venezuela. Other companies, especially the smaller ones, feel that recent government discounts from their remaining compensation bonds were unfair.)

Exxon and Shell continue to do a thriving business with the nationalized industry under contract. Although sustained dealings with the multinational oil companies have been criticized sharply by parties in opposition to the Perez administration, the country's leaders feel that the nationalized industry cannot operate efficiently without access to the technological expertise and marketing outlets of the major oil companies.

In the area of marketing, Petroleos de Venezuela sells about one-quarter of its exports through its *affiliates' own* marketing departments. However, the bulk of exports is handled by Exxon and Shell, which buy Venezuelan crude and refined products and charge a fee for marketing the oil overseas.

In addition, any sticky technical problems that arise—for example, a major breakdown in a refinery—can be resolved by consulting with the research departments of oil companies, which maintain technical assistance agreements with the government.

Petroleos de Venezuela also pays foreign firms for technical assistance in developing new projects in a variety of areas. The government has set up its own petroleum research department—the Instituto Tecnologico Veneolazano del Petroleo—but understands that it will be years before the institute will be able to substitute for the advanced technology supplied by the major oil companies.

Serious Challenges

Despite the nationalized oil industry's good performance, the Venezuelan government must con-

front a number of serious challenges in the years to come. The most important of these are:

- The need to find substantial new crude oil deposits and find ways of economically using vast reserves of nonconventional petroleum in the Orinoco Heavy Oil Belt.

- Maintaining a satisfactory cash flow to Petroleos de Venezuela so that costly new investments in exploration, production, refining, research and human resources can be made. Without these, the Venezuelan oil industry will become obsolete within two decades.

- Overcoming losses in local marketing. Under the Perez administration's current anti-inflation policy, gasoline for autos is sold at subsidized prices, about 15 cents per gallon for regular and double that for high octane. As a result, gasoline sales in the domestic market present consistent losses. At the same time, cheap gasoline encourages an unhealthy and unrealistic growth in highway transport.

- Insuring that the nationalized oil industry stays free of political interference. While this has been true to a high degree, no one can say what will happen when future governments find that they need more money and are tempted to tap the lucrative petroleum sector.

According to government statistics, Venezuela's conventional crude oil reserves were 17.9 billion barrels at the end of last year, slightly less than 20 years of available production at current rates. Most of these crude oils consist of heavy-type crudes. While this is fine for producing fuel oil and other residual products, the country needs to boost its reserves of lighter crudes in order to refine greater quantities of gasoline and other light products which bring better prices.

Investments Needed

In a recent speech, the director of finance of Petroleos de Venezuela, Edgar Leal, said that the national petroleum industry would require investment of about \$20 billion over the next 10 to 12 years in order to guarantee its continued efficiency and profitability. (Production costs rise as a country's oil deposits become depleted. That is, it is cheaper and easier to pump oil from new deposits than from fields that have been producing oil for 20 or 30 years.) He said that about \$3

billion would be needed for exploration, \$12 billion for production, \$3 billion for refining and other activities, and \$2 billion would probably be used for maintenance, research and other expenses. He asserted that the state oil monopoly expected to secure most of these funds through its own ability to generate earnings. Observers here, however, believe that the company will eventually need to seek capital in the form of foreign credits.

Petroleos de Venezuela is already moving ahead with a major drive to find new oil deposits both on and offshore. Next year the company will begin offshore exploration in three areas. Budgets for exploration have been on the rise in recent years. While the firm spent a total of 900 million bolivars for exploratory activities between 1976-78, outlays in exploration this year will reach an all-time high of 1 billion bolivars.

In refining, Petroleos is projecting expenditures of around 5 billion bolivars in order to alter refining patterns at its principal units so that more heavy-weight crudes can be processed.

In addition to these projects, the industry is working on the gradual development of a huge reserve of high-viscosity crude oil lying to the north of the Orinoco River. This deposit, known as the Orinoco Heavy Oil Belt, contains reserves estimated at a minimum of 700 billion barrels.

Although the belt represents one of the largest hydrocarbon deposits on earth, it is not currently able to yield large quantities of commercially useful oil. The oil found there generally resembles thick, black molasses and contains considerable quantities of sulfur and metallic elements.

Some work has been done by the Venezuelan and foreign oil companies in solving production and refining problems associated with the special types of oil found in the Orinoco Heavy Oil Belt. But the government has been reluctant to invest heavily in the area, maintaining that international oil prices must reach higher levels before Orinoco crude will become profitable.

There is no doubt, however, that once technological difficulties are overcome, the Orinoco reserves will be a long-term source of revenue for Venezuela and will guarantee that the country remains an important oil producer for many years to come.

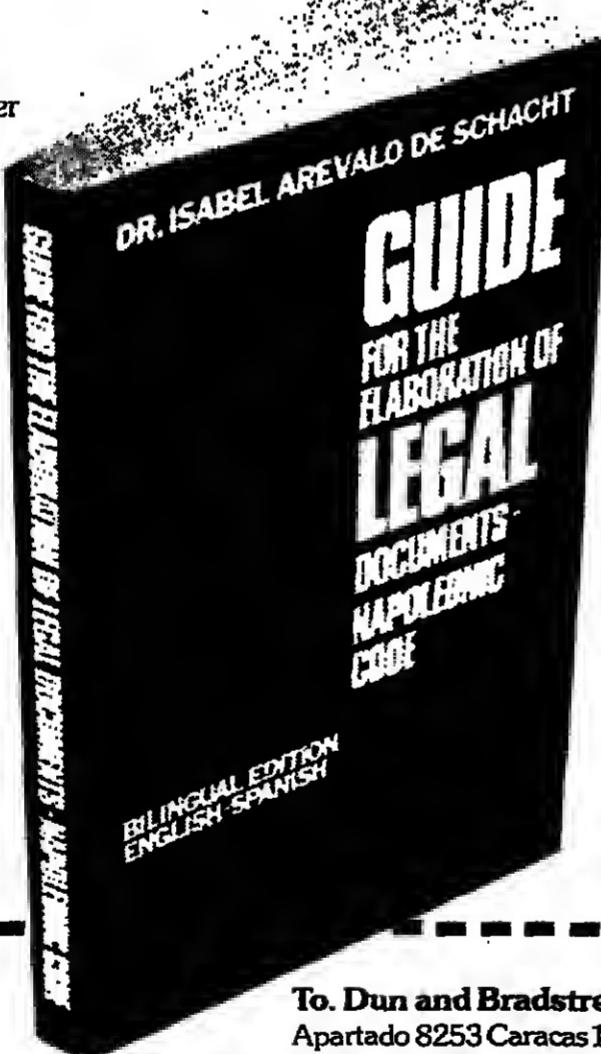
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Petrochemicals

Reforming a White Elephant

CARACAS (IHT)—Venezuela's petrochemicals industry, one of the biggest white elephants in the country's history, is now on the road to becoming a useful sector of the economy.

Plagued during the past few years by major equipment failures, personnel shortages, strikes, low production and constant financial losses, the petrochemical sector—controlled principally by the Venezuelan government—is currently undergoing a full-scale reorganization. This reorganization is being carried out under the aegis of the state oil company, Petroleos de Venezuela, the firm that has run the country's giant oil industry efficiently and profitably since all foreign petroleum concessions were nationalized at the beginning of 1976.

In an interview published here recently, Renato Urdaneta, president of the government's new petrochemical company, Peviven, asserted that a number of reforms were already under way. These include an infusion of new executive talent, dismissal of some petrochemical workers and use of foreign technical help in putting the government's petrochemical projects onstream. Mr. Urdaneta, formerly manager of Exxon's giant oil refinery at Arunay, pointed out, however, that positive results "will not be apparent for at least two years."

The Target

The target of Mr. Urdaneta's reforms is the industrial complex made up of government-owned concerns and mixed-capital enterprises, which have cost a minimum of 2 billion bolivars (\$466 million). Venezuela's two principal petrochemical complexes are located at Maturín, near the Caribbean in central Venezuela, and El Tablazo, on Lake Maracaibo in the west. The sites include major facilities, which are wholly-owned by the Venezuelan government, and a spate of smaller companies jointly owned by private investors and the state. This complex was built to provide Venezuelan industry and agriculture with a broad range of products while at the same time creating jobs, using readily available raw materials and saving on items that would otherwise be imported.

Some of the installations were designed to provide exports once domestic demand for their products was satisfied.

The El Tablazo complex in Zulia state, an impressive collection of towers, pipes, chimneys and plants, that has cost the Venezuelan Treasury more than one billion bolivars, is a prime example of Venezuela's

petrochemicals. Although its basic production units have been completed for some time, these government-owned plants are either operating marginally, or are shut down for repairs. The central unit at El Tablazo is a complicated structure called an olefin plant, designed to convert natural gas into ethylene (150,000 metric tons a year) and propylene (95,000 metric tons a year).

Several Facilities

El Tablazo also houses a huge urea plant (90 percent of which is owned by the state), a government factory for chlorine and caustic soda, and other state-owned facilities.

A natural gas plant designed to supply the olefin converter is there, along with water and electricity-generating facilities, a port, and other units for product distribution, storage and waste treatment. In addition, a number of smaller, mixed-capital companies have plants at the El Tablazo complex that were built to use output from the olefin facility for manufacturing a variety of more complicated petrochemical products. (Despite the near paralysis of the government units, many of the mixed-capital companies have turned a profit by importing the basic materials they require and producing chemicals and other products, thus bypassing the state-owned installations.)

The olefin plant has been a constant headache for the government. When it is not closed down for a day or a thousand technical reasons, it produces ethylene and propylene that are not commercially useful. In its 1976 report, the Venezuelan Petrochemical Institute (which until last year was responsible for government interests in the petrochemical industry) noted that the plant could not turn out ethylene because of "problems" in operation of equipment.

Some people thought this statement should take a prize for official understatement of the decade. Besides the apparently unsolvable problems with its central unit, El Tablazo suffered from a host of other complications: water and electricity were not available or adequate quantities from the government agencies responsible for these services; the natural gas supplied by another state entity was not of the quality needed; thousands of feet of pipeline were apparently unusable and main sections of the plant had to be closed down while the pipeline was replaced.

The Blame

The responsibility for allowing Venezuela to endanger hundreds of millions of bolivars in investment and to lose tens of millions each year through production shortages is hard to assign. Certainly the blame must be shared in varying proportions by official incompetence. The present administration, in turn, would say that planning by the previous administration (headed by different political party) was responsible. Representatives of the previous Social Christian party government naturally defend their work and accused the present leaders of sabotaging their petrochemical plan out of political spite. And so the argument continues.

The Blame

The responsibility for allowing Venezuela to endanger hundreds of millions of bolivars in investment and to lose tens of millions each year through production shortages is hard to assign. Certainly the blame must be shared in varying proportions by official incompetence. The present administration's allowing problems to reach critical levels before taking action, shortages of skilled personnel, callousness on the part of some foreign suppliers—and bad luck, with latter playing a small but recurring role.

The government's latest effort to reform the sector by placing under the control of Petroleos de Venezuela is a prudent move, one that came far too late. The industry will require considerable infusions of capital in order to make it work and bring it up to date. In the meantime, Venezuela will pay the bill for correcting costly errors and must continue to spend even more to import petrochemical products that its own industry cannot yet manufacture.

Political Issue

Every time a major breakdown occurs, the situation would be

Small, Influential Country Broadens Foreign Policy Horizons

CARACAS (IHT)—During the past two decades, the salient items of Venezuela's foreign policy have been the good, sturdy stuff of national interest.

Democratically elected governments here, for example, experienced bitter confrontations with the former dictator of the Dominican Republic, Rafael Leonidas Trujillo, and with Cuban President Fidel Castro. Each man had supported efforts aimed at overthrowing Venezuelan governments. Both initiatives were repudiated. For a number of years Venezuelan leaders also expressed their dissatisfaction with U.S. import limitations affecting this country's economic

lifeblood—petroleum. The results were not always gratifying.

More recently, foreign policy questions have turned prosaic. Local newspapers avidly follow the progress of the Foreign Ministry in defining borders with Brazil and Colombia (some politicians wonder if Brazilian hegemony is edging northward), mediating fishing disputes with Trinidad, counting Colombians living illegally in Venezuela (best estimates say over one million) and deciding who owns a big chunk of jungle claimed by both Venezuela and Guyana.

Since President Carlos Andres Perez took office four years ago, however, the country's foreign policy horizons have broadened considerably.

Mr. Perez and his foreign policy spokesmen have appealed for a new world economic order at various international forums, and they have worked doggedly to promote economic cooperation in Latin America and the Caribbean. Mr. Perez took the Ford administration to task after it declared verbal war on the Organization of Petroleum Exporting Countries (OPEC), but he was the only influential leader in Latin America to back President Jimmy Carter's initiatives on human rights and control of nuclear armaments.

The Venezuelan leader, one of a handful of popularly elected governors in the region, ranked more than one local dictator when he

openly lamented the proliferation of military regimes and called for international inspection to guarantee human rights. The military governments of Argentina, Brazil, Chile and Uruguay, criticized repeatedly for the torture or murder of political foes, were particularly piqued by the Venezuelan's comments.

And Brazil, which considers itself many notches above its Spanish-speaking neighbors, was loath to accept lectures from President Perez on nuclear control after feeling considerable heat from Washington on its reactor deal with West Germany.

In addition, the Perez administration has committed \$3.6 billion for bilateral and multilateral foreign aid to Latin American and Caribbean neighbors, a figure equal to more than 10 percent of the country's gross domestic product.

A founding member of OPEC, Venezuela has played of late a much more significant role in the oil producers' group. In 1977, President Perez helped resolve differences over oil prices between the hawks and doves who caused a serious split in the group.

Venezuela has been prominent in stating its views at the United Nations, the North-South Conference in Paris and the Organization of American States (OAS). The nation has supplied substantial financial and moral support to the World Bank, the International

Monetary Fund (IMF) and the Andean Common Market as well as to the Latin American Economic System (SELCA), a group founded to promote regional and economic integration to Latin America and the Caribbean.

Goodwill between their own salesmen and the Venezuelans, and neighboring countries have wanted Venezuelan backing for their own projects.

Perhaps more important, though, have been the Venezuelan leader's timing and style. As the head of a developing, oil-producing country that is a member of OPEC, Mr. Perez could speak with authority about Third World problems and has chosen to avoid the inflammatory language so often used in these discussions. His popularity in Washington has been aided by his status as a freely elected leader in a friendly country and by his candid support for principles such as human rights and nuclear controls,

despite the negative impact these attitudes have had in Latin America. Furthermore, Mr. Perez played a key mediating role during talks on drafting a new set of treaties governing the Panama Canal and frequently served as a go-between with Gen. Omar Torrijos and the United States during the canal negotiations.

Venezuela's generosity in foreign aid and the president's opinions on international affairs have won him universal acclaim, however. Early in the Perez administration, Trinidad accused Venezuela of attempting to foment "economic imperialism" in the Caribbean. And, only recently, Nicaragua's President Anastasio Somoza accused the Perez government of interfering in Nicaragua's internal affairs because of Venezuela's repeated calls for OAS inspection of human rights conditions there.

At home, opposition parties have criticized Mr. Perez for giving away too much money only to borrow abroad to pay for the government's own programs; they also feel that the president should concentrate more on domestic problems rather than foreign.

During a recent speech in the Venezuelan Congress, Deputy Ramon Escobar Salom, formerly foreign minister under President Perez, presented what many found to be a thoughtful evaluation of the administration's initiatives. While noting that the Perez government had succeeded in developing "an independent foreign policy for Venezuela," Mr. Escobar went on to criticize the scope of this new policy and the deficiencies in the Ministry of Foreign Affairs itself:

"In the coming years, Venezuela must regain its proportions. What does this mean? During these years we've flown at 900 kilometers per hour in a DC-3. Venezuela has achieved a very important participation in world affairs, but we weren't prepared, we didn't have a structure," he told the Lower House of Congress.

"When I speak of proportions, I mean that Venezuela must act not like a world power—because it is not and never will be—but like a small influential country... This is what I call an international policy in keeping with our proportions. We cannot play at being a great power because this would be, among other things, an illusion and an irresponsible act."

—J.M.

Noisy Campaign Prepares Sixth Free Presidential Elections

(Continued from Page 1)

launching of the most costly and ambitious development program ever proposed for Venezuelan industry and agriculture. And although the president's formerly high level of popularity has waned, according to a number of polls, many Venezuelans will vividly remember that Mr. Perez raised international recognition of Venezuela through his dynamic foreign policy.

Furthermore, they have seen him exhibit genuine concern for domestic problems and devote himself almost entirely to the tasks of the presidency.

Other candidates who have tossed their hats into the ring thus far are: Diego Arria, an independent who served as governor of the Federal District (Caracas) and as minister of information under President Perez; Jose Vicente Rangel of the Movement Toward Socialism (MAS); Luis Beltran Prieto, a senator who broke with AD in 1967 and remains now president of the People's Electoral Movement (MEP); Deputy Amaro Martin of the Revolutionary Left Movement (MIR); member of the Venezuelan Communist party (PCV); Pedro Pablo Salas Castillo of the National Civic Crusade (CCN) and Alejandro Gomez Silva of the United Nationalist Front (FUN).

Both Mr. Rangel of MAS and Mr. Martin of MIR represent young, far-left parties that have worked extensively among unions

won only 1 percent of the votes cast for Congress.

Even though Mr. Arria has just begun to campaign in earnest, informed observers expect that he will win a substantial number of votes due to his popularity and clever use of the media while serving as governor. Mr. Arria, a young, handsome economist who formerly worked for the Inter-American Development Bank in Washington, is adopting an essentially anti-party program. His contention is that the traditional parties in Venezuela have failed to resolve the most pressing national problems and therefore should be discredited in the eyes of the voters. Like the two major party candidates, Mr. Arria has sought foreign expertise in planning his media and campaign strategy.

Democratic Action, which won a resounding victory in 1973, is now hard at work to restore any confidence that might have been lost during the Perez years. In the elections five years ago, AD captured the presidency with 48.5 percent of the valid votes cast, easily beating Copei's candidate, Lorenzo Fernandez, who won 36.5 percent of the total. AD also captured an overwhelming majority in the national Congress, and in state and local posts. Other contenders in the 1973 presidential sweepstakes individually drew small percentages.

Both AD and Copei, majority parties with clear links to Venezuela's private sector oligarchy, will

have to face challenges from other groups as to their right to pre-eminence in Venezuelan politics. Although both major parties espouse left-of-center, reformist philosophies, and between them have run the country for the last two decades, Venezuelan deficiencies are still painfully obvious. Both Mr.

Arria and the smaller, established opposition groups will be hammering on the nation that the two traditional parties are, in essence, the Tweedleum and Tweedledum of Venezuelan politics, and that they are more interested in promoting their own parties than in seriously

moving to resolve national problems.

Naturally, none of the smaller opposition groups has had a chance to demonstrate how it would perform were it to win the presidency. Indeed, if by chance one of the smaller groups were to win the presidential chair, it would hardly be able to govern effectively without substantial backing in Congress.

The Votes

It is plain to most people here that either AD or Copei will be the winner in December when the votes for president are counted. What is not so plain, however, is how the new Congress will stack up: whether AD will be able to maintain an effective majority or whether a popular figure like Mr. Arria will win his own block of legislators and thus be in a position to form a majority with either of the two principal forces.

In any case, a warning goes with the future presidency: Although oil resources will continue to fill the Treasury's coffers over the next few years as long as the United States continues to buy Venezuelan oil, the bills accumulated by the current administration's extravagance are already beginning to pile up. Big budget surpluses are a thing of the past, and the government that takes over next March will have a difficult time indeed in making ends meet.

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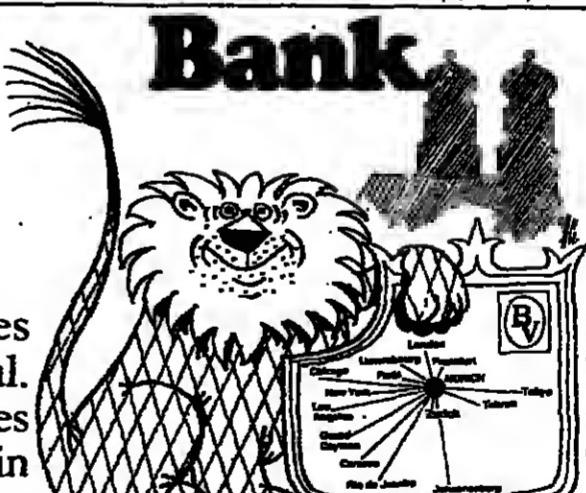
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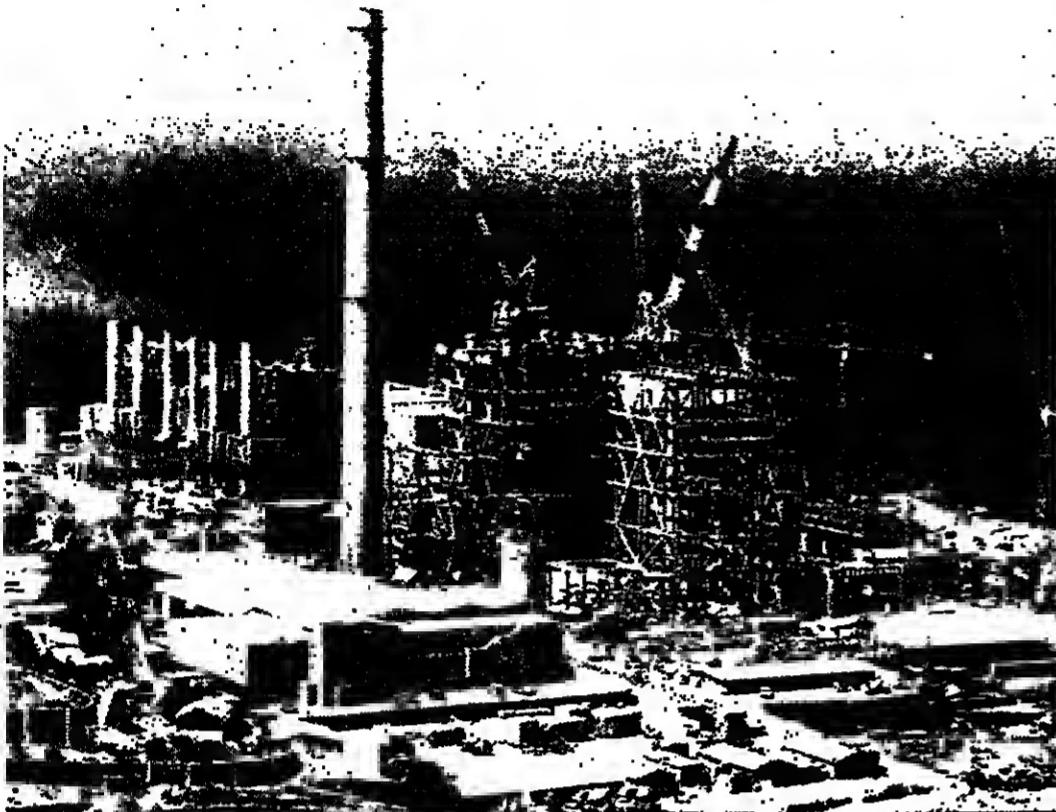
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IN VENEZUELA YOU KNOW WHERE YOU STAND

Press Is Free—But Not on All Subjects

By Monte K. Hayes

CARACAS (IHT)—One night not long ago in a movie theater, a government-prepared commercial flashed onto the screen minutes before the feature film was scheduled to start.

The commercial reminded the audience that with the birth of Venezuelan democracy 20 years ago political exiles had become a thing of the past. The rest of the message was drowned out by hoots of laughter from the viewers.

"What about Olavarria?" shouted various members of the audience.

Only days earlier, Jorge Olavarria, editor of the news magazine Resumen, had requested and been granted political asylum by Nicaragua. Mr. Olavarria, a former ambassador to Britain, charged that the government of President Carlos Andres Perez had taken advantage of a private suit against him by his former wife to harass him illegally.

He claimed that the government's intention was to force the closure of his magazine because of its severe criticism of the president and his top advisers.

The government denies the accusation, responding that the legal action against the editor is a private matter between him and his ex-wife and that he is free to return to Venezuela whenever he wants. But many Venezuelans are skeptical of the government's explanation.

The Olavarria affair is the latest in a series of incidents over the last few years in which the freedom of the press has allegedly been violated.

Nevertheless, the Inter American Press Association (IAPA) recently described Venezuela as one of only six nations in the Western Hemisphere that enjoy freedom of the press. The others are the United States, Canada, Costa Rica, the Dutch Antilles and the Dominican Republic.

Press Freedom

Venezuela's inclusion in this elite group, however, may be in jeopardy. The IAPA is currently studying the Olavarria affair to determine if there has been a violation of press freedoms.

Presidential candidate Luis Herrera Campins of the major opposition party, Copei (Social Christian party), believes that the Olavarria

case "began as the result of a difficult personal situation that had little to do with press freedom, but that the government later made use of the situation to silence one of its opponents."

Press freedom exists as long as certain subjects are not touched," observed Jose Vicente Rangel, presidential candidate of the Movement Towards Socialism (MAS) and winner of the National Journalism Award for his political columns.

The fact is, though, that by Third World standards Venezuelan newspapers and broadcasting media have a great deal of liberty to present news and express opinions. Evidence of this can be seen by the sharp criticism of the government expressed in print and on the air as a result of Mr. Olavarria's difficulties.

Watergate'

In few other Latin American countries could a political columnist write, as did Alfredo Tarre Murzi, that the Olavarria affair was a "Watergate in reverse," in which the individual who denounced the violation of laws was threatened with prison, rather than the lawbreakers.

The IAPA affirmed that there is unconditional freedom of press in Venezuela. That is not true," asserted Mr. Tarre Murzi. Venezuela's most widely read political commentator.

After listing examples of government action against other newsmen as well as other publications, he continued: "The case of Jorge Olavarria has been in recent months the most relevant example of abuse of an editor of an opposition magazine."

The journalist, who writes under the pseudonym of Sanin, accused the government of taking advantage of a civil suit against the editor to pressure the courts on two occasions into violating due process of law, and issuing orders for the arrest of Mr. Olavarria.

The editor spent 48 days in jail as a result of the first arrest order. It was after the second arrest order was issued that he decided to flee the country.

Sanin also accused the government of pressuring advertisers into abandoning Resumen. Whatever the reason, government advertising, which provides a large chunk of revenue for most Venezuelan

At the last minute President Perez restricted his suit to Dr. Bosch. The message, however, came across strong and clear to Venezuelan newspapers.

In a recent interview, Diego Arriu, who served as information minister until he resigned to run for president as an independent, dismissed charges that the government

had harassed Mr. Olavarria

Clear Message

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Venezuela is a nation still molding its economic and political framework. That situation offers hope for the future, but it also carries with it risks, as Copei's Mr.

Herrera warned not long ago.

"In a government like ours," he said, "which has nationalized oil and iron and is growing stronger every day, the temptation always exists to abuse its powers."

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